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China: Bankruptcy in a state-run economy, Page 22

World News | Business Summary

Israel plans Lebanon offensive, says Arafat

PLO leader Yassir Arafat said he had received reports of a planned Israeli offensive in southern Lebanon and claimed that Israel had massed between 40,000 and 60,000 troops along the Israel-Lebanon border.

He said Israeli forces had killed at least 32 Palestinians in clashes in the occupied territories and appealed for United Nations intervention. **Death toll rises, Page 22**

Peace talks shelved

The Nicaraguan Government postponed a second round of peace talks with US-backed Contra rebels only hours before it was due to begin. **Propaganda blow, Page 6**

Troop cut talks

Nato and the Warsaw Pact agreed in principle on the objectives and methods of a new conventional arms reduction forum after a concession by the Pact. **Page 3**

Norway Nato protest

About 300 protestors, calling for Norway to leave the Nato alliance, marched past the US embassy and burned two US flags during a visit to Oslo by US Secretary of State George Shultz.

Whitelaw collapses

Britain's Deputy Premier Lord Whitelaw, 69, was taken to hospital after he collapsed during the UK Parliament's traditional carol service. His condition was said last night to be stable.

France censured

New Zealand Prime Minister David Lange lodged a fierce protest against the repatriation of a French agent convicted of complicity in the bombing of the Greenpeace vessel Rainbow Warrior in Auckland harbour two years ago. **Page 22**

Curbs on Mbeki rally

South African police have banned all public Christmas receptions in honour of black nationalist Mr Govan Mbeki, who was freed from jail last month after 23 years.

US jets for Honduras

Honduras is to get the first of 12 advanced fighter jets from the US, in a deal which critics fear may spark a regional arms race as central American nations struggle with the peace plan.

Tunnel defence pact

Britain and France signed an agreement outlining emergency measures for the defence and military use of the Channel Tunnel which is due to link the two countries by 1993. **Page 4**

N-sub for India

India was believed to be expecting to take delivery soon from the Soviet Union of its first nuclear-powered submarine. **Page 6**

Romanian pay pledge

Romanian leader Nicolae Ceausescu, facing mounting unrest over his austerity policy and chronic food shortages, admitted that the country faced serious problems and promised wage increases. **Page 2**

Neo-fascist leader

Italy's neo-fascist MSI-DN party elected journalist Gianfranco Fini, 35, as its leader. **Page 2**

Yugoslavia appeal

Yugoslavia will seek resources from the International Monetary Fund (IMF) to help repay its almost $20bn external debt, the government said. **Yugoslavia fears, Page 2**

Poll results cancelled

Organisers of Nigeria's local elections – flawed by official incompetence and malpractices – cancelled some results and ordered fresh ballots.

Minister sacked

South Korean President Chun Doo Hwan fired Construction Minister Lee Kyu-hyo. **Earlier report, Page 4**

Arco told to halt plans for stake in Britoil

ATLANTIC RICHFIELD, major US oil company, has been told by British takeover authorities it would not be allowed to build up a 49.9 per cent stake in Britoil, without proceeding to a full bid.

On Friday, Arco appears to have gained the impression that it would be able to realise its plan for partnership with the UK oil independent by building up a 29.9 per cent stake in the company and swapping oil assets for a further 20 per cent of Britoil's equity. **Page 22**

TELEX, US computer peripherals company which has been fighting off a bid from Mr Asher Edelman, New York corporate raider, is being bought for $900m by Memorex International. **Page 23**

THE MEXICAN Government sharply devalued the national currency by 22 per cent to 2,200 pesos to the dollar as part of a series of measures designed to shore up the weak economy. **Page 22**

WALL STREET: The Dow Jones industrial average closed up 65.82 at 1,932.86. **Page 46**

LONDON: The FT-SE 100 index closed up 1.0 at 1,652.6 after rallying from a 10-point fall. **Details, Page 42**

TOKYO: The yen's strength against the dollar dampened buying interest in very quiet trading in Tokyo yesterday. The Nikkei average shed 109.53 points from last week's close to 22,926.38. **Page 46**

DOLLAR closed in New York at DM1.6310, FFr5.5275, SFr1.3275 and Y127.95. It closed in London at DM1.6316 (DM1.6315); FFr5.53 (FFr5.5325); SFr1.3275 (SFr1.3305) and Y127.95 (Y128.45). **Page 35**

STERLING closed in New York at $1.8375. It closed in London at $1.8365 ($1.838); DM2.9950 (DM2.9975); FFr10.1550 (FFr10.1675); SFr2.4375 (SFr2.4450) and Y235 (Y236). **Page 35**

AMFAC, San Francisco-based property, food and agriculture conglomerate, has approved a sweeping restructuring plan under which the company will sell off all its US mainland operations, valued at between $600m and $750m, and return to its roots in Hawaii. **Page 23**

GAF, US specialty chemicals and building materials group, sought revised, lower terms for its buy-out deal to $40 in cash and $8.50 principal amount of notes for each GAF share, valuing the company at $1.62bn. **Page 23**

THYSSEN, West Germany's biggest steel and engineering group, plans to pay an unchanged DM6 a share dividend for the year ended September, in spite of a 17 per cent fall in worldwide turnover to DM26.6bn ($16.3bn) from DM32bn last year. **Page 24**

BANK IN LIECHTENSTEIN (BIL) is to acquire Trainer, Wortham, the New York-based investment counselling firm. Representatives of the two groups declined to give the price for the privately-owned firm. **Page 24**

ROCKEFELLER CENTER Properties, property investment trust, said it would be repurchasing in the market two convertible Eurobonds which it issued in August 1985 as part of the financing of the Rockefeller Centre, the New York office complex. **Page 26**

AVON PRODUCTS, US cosmetics and toiletries group, expects net income for 1987 to be about $195m or $2.75 per share, up 23 per cent from $158.7m or $2.23 in 1986, its highest earnings for six years. **Page 26**

LONDON AMSTERDAM Merchant Bank, a small bank capitalised at Fl 114m ($62m), has been founded by Dutch, French and Australian institutions with the aim of financing international trade through the use of bills of exchange. **Page 26**

CONTINENTAL, West German tyremaker, and Toyo Tire and Rubber of Japan, plan to co-operate on tyre production with Yokohama Rubber, another Japanese company. **Page 26**

Deaths of 21 crew worst loss yet in 'tanker war'

TWENTY-ONE mainly Filipino and Polish crewmen were confirmed yesterday to have died following two Iraqi missile attacks on a Norwegian-operated oil tanker in the Gulf, **Andrew Gowers, Middle East Editor, writes.** The news demonstrated that the so-called "tanker war" between Iran and Iraq has reached an unprecedented level of ferocity in the last 10 days.

The attacks on the 218,467-tonne Susangird, owned by the National Iranian Tanker Co and managed by Reksten Management of Bergen, took place last Wednesday and Thursday as the ship sailed from Iran's Kharg Island oil terminal in the northern Gulf. But the death toll emerged only yesterday after extensive air and sea searches by Iran. It was the highest casualty figure from any attack on merchant shipping in the seven-year-old Gulf war.

The news is bound to cause serious concern among Norwegian shipping companies, which are estimated to have a stake in 20 per cent of all vessels sailing in the Gulf at any one time. The ship's Norwegian captain, Mr Olaf Leroey, was among those missing. One Polish and four Filipino crewmen survived, and were yesterday reported to be recovering in hospital.

Yesterday's disclosure brings the overall death toll in attacks on Gulf merchant and naval ships this year to at least 100, about double the level reported in 1986, although casualties on the Iranian side of the Gulf may in reality be much higher. Independent observers confirm that a total of about 130 ships have been hit by mines and missiles.

There is evidence that Iran has also become much more effective in its attacks on neutral shipping this month. Last week, Iranian Revolutionary Guards, operating from Swedish high-speed launches, caused heavy fires on two tankers in the southern Gulf. One of them, the 85,129-tonne Norman Atlantic, registered in Singapore but likewise operated by a Norwegian company, last Thursday became the first ship to sink completely as a result of the shipping war.

Crude prices plunge after fresh fears of deadlock at Opec

BY RICHARD JOHNS IN VIENNA AND MAX WILKINSON IN LONDON

CRUDE OIL prices plunged by more than $1 per barrel to less than $17 in early trading in Europe, because of renewed pessimism that the Organisation of Petroleum Exporting Countries could reach a credible agreement in Vienna to limit production next year.

However, prices later recovered somewhat after several ministers attending the Opec meeting said they were sure that Iran would eventually agree to a pact intended to limit collective output to 15.06m barrels a day during the first half of 1988.

These statements managed to curb the mood of general pessimism when the New York markets opened, even though most analysts believe that extensive "cheating" will bring Opec production nearer to 19m b/d. The Brent crude price in Europe was down 70 cents at the end of the day compared with the price on Friday of $17.35. On the New York Mercantile Exchange, light crude for February delivery was trading at $17.30 by early afternoon, 70 cents less than on Friday.

At the Opec meeting, ministers were again trying to reach an agreement last night after Mr Gholamreza Aghazadeh, Iran's Minister of Oil, flew back to Tehran. He said he needed to consult face to face with colleagues in the ruling regime of the Islamic Republic.

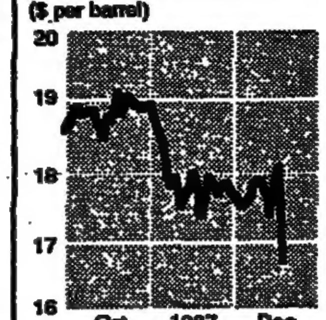
However, it was said that he reassured other chief delegates that Tehran's answer would almost certainly be positive.

Meanwhile his deputy, Mr Khazemphour Ardibili, was empowered to sign the accord if verbal approval was received from the Iranian leadership.

The compromise in prospect last night is regarded by market analysts and the oil industry as inadequate to maintain Opec's target of a $18 per barrel price, even if 12 of the oil exporters abide by their commitments. The thirteenth Opec member, Iraq, whose oil output has been steadily rising after the opening of new pipelines, has persistently refused to join an agreement.

However, as the Iraqis packed their bags and oil prices fluctuated wildly, Opec was left in a strange limbo of uncertainty.

Oil Price
N. Sea Brent Blend Crude ($ per barrel)



Source: Petroleum Argus

Mr Aghazadeh's manoeuvre may have been motivated by the need to save some face. His uncompromising demand that the cartel's target price should be raised from $18 to $20.70 per barrel to compensate for the decline of the dollar and inflation, was rejected by most of the other Opec countries.

The draft agreement made no

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White House tries to halt slide of dollar

BY LIONEL BARBER IN WASHINGTON AND SIMON HOLBERTON IN LONDON

THE WHITE HOUSE yesterday tried to halt the slide in the dollar to historic lows on world currency markets by reaffirming the Administration's policy of economic co-ordination with its allies to stabilise exchange rates.

On three occasions at the daily White House briefing for reporters, President Reagan's chief spokesman, Mr Marlin Fitzwater, said: "We are not seeking a decline of the dollar."

The dollar staged a mild recovery following Mr Fitzwater's comments, but analysts and currency traders greeted his words with scepticism. According to one analyst it amounted to intervention by rhetoric; others said the time for words had passed and what foreign exchange markets wanted was for Washington to act.

Many economic analysts believe the Administration, led by the Treasury Secretary Mr James Baker, has pursued a dollar policy of benign neglect in order to pressure allies, particularly West Germany, to stimulate their economies.

Mr Paul Volcker, the former chairman of the Federal Reserve, the US central bank, warned at the weekend that the falling dollar raised the risk of higher inflation in the US and depressed economies abroad.

Mr Fitzwater, asked about Mr Volcker's remarks, acknowledged that "there are concerns out there.... but we believe we're proceeding the best we can."

To support the dollar a rise in US interest rates was needed, currency traders and analysts said. The Reagan Administration, however, appears loath to do this for fear of triggering a recession and thereby jeopardising the Republican Party's chances of winning next year's presidential election.

Today's monthly meeting of the Federal Reserve Board's key monetary policy committee meeting will be scrutinised for any change in that policy.

The instability in currency markets has fed through to gold. It was fixed in London yesterday morning at $502.75 – the first setting above $500 since February 1983 – and closed at $499.50.

Gold traders said the price of gold in dollars was adjusting to reflect the US currency's depreciation over the past month and

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JAL $5bn share sale will test Tokyo market

By Carla Rapoport in Tokyo

THE TOKYO stock market faces a crucial test this week with the Government's three-day sale of Y643bn ($5bn) worth of shares in Japan Air Lines which begins today.

JAL's shares have lost more than 22 per cent of their value in the past two weeks and are more than 30 per cent below their price before the recent crash in equities.

Government officials and leading underwriters, reflecting the continuing sense of optimism about the strength of the Tokyo stock market, forecast yesterday that the sale of the Government's remaining 34.5 per cent stake in the airline would be a success, despite the drop in the share price and the extremely low level of trading volume in Tokyo since the October crash.

"According to the reports we have received from the securities companies and underwriters, they are pretty confident that all the stocks will be sold," a Ministry of Finance official said.

The Government remains unconcerned about the drop in revenue it will receive from the JAL sale in the wake of the share price's collapse from Y20,100 in mid-October to less than Y14,000 this week.

It had, apparently, budgeted for a price of as low as around Y7,500 a share, while yesterday's striking price for the Government's 48m shares was fixed at Y13,400, 3.5 per cent below yesterday's closing price.

Tokyo's Nikkei share index has fallen only 15 per cent from the peak reached in October compared with falls of more than twice that in London and New York.

Foreign investors have, however, been heavy sellers in Tokyo fearing a further collapse in equity prices in Japan.

Stockbrokers in Tokyo said privately yesterday that they were relieved the JAL share price had fallen in recent weeks.

The lower price provided more incentive for investors to purchase the shares, while even a small increase in the share value could give investors a quick 5 to 6 per cent return on their investment.

However, the recent example of the sale of shares in NTT, the Japanese telecommunications group, does not provide much encouragement. The second group of Government shares in NTT were sold at Y2.44m last month and have since slipped to Y2.33m.

Dealings in the new JAL shares will not be allowed until December 24 so investors will have to gamble that the share price will increase or at least hold during that period.

Political confusion as Martens resigns

Wilfried Martens: Expected move

BY TIM DICKSON IN BRUSSELS

BELGIUM appeared to be entering a lengthy period of political uncertainty last night after King Baudouin formally accepted the resignation of Mr Wilfried Martens, the country's Prime Minister.

The move had been expected after Mr Martens' Flemish-speaking Christian Democrat Party (CVP) suffered heavily in Sunday's general election. The poll was also marked by a substantial shift to the Socialist party in Wallonia, the southern French-speaking region of Belgium.

Most observers agreed, however, that the position was now highly confused and that there could be weeks, if not months, of tough and complex negotiations before a new government was formed.

Unlike Belgium's last general election in 1985 which gave Mr Martens' centre-right coalition of Christian Democrats and Liberals a clear mandate to continue its harsh economic programme, Sunday's results are highly ambiguous.

The Flemish-speaking Liberals were the main beneficiaries of the CVP's misfortune in Flanders but the Socialist Party emerged as the chief victor in Wallonia, largely because of its clear identification with the language issue.

All parties were busy analysing the implications yesterday, but Mr Martens, who late on Sunday had indicated on Belgian radio that he could be heading for a spell on the "reserve bench," did not elaborate his position.

The Socialists, as the biggest party in the new Parliament, are expected to be given the first chance by the King to form a new coalition - a point which their leaders emphasised yesterday.

The Socialists have been out of the Government for the past six years but, for the first time since 1936, have overtaken the Christian Democrats as the biggest bloc in the country.

Much will depend, however, on whether the CVP wishes to align itself with the Left or with the two Liberal parties, who pointed out yesterday that with 116 seats in parliament, the four outgoing coalition partners still have an absolute majority.

Nissan to invest £216m in UK and double car output target

BY JOHN GRIFFITHS

ANOTHER £216m ($396m) is to be invested in Nissan's UK car plant to provide total production of 200,000 vehicles a year in 1992. This is double the previously announced output target for the Sunderland-based facility.

The expansion programme, announced in London yesterday by Mr Takashi Ishihara, Nissan Motor Company's chairman, will involve producing 100,000 units a year of a small hatchback in addition to the Bluebird medium saloon currently being built.

The total value of the investment in Sunderland will rise to over £600m, making it Japan's largest single project in Europe.

Mr Ishihara made clear that Nissan now regards the UK as its bridgehead into the EC free of the restraints which have held back direct imports from Japan into some national markets.

Currently, Nissan sells about 300,000 cars a year in Western Europe. By producing relatively low-value, high-volume cars for sale in Europe from its UK site, Nissan will have greater flexibility to import high-value luxury and sporting cars from Japan without running foul of any EC-wide import restraints which might arise in 1992, when the EC's internal market is due to be "harmonised."

"We intend to use the success of this project for pushing ahead with a long-term Europeanisation programme," said Mr Ishihara." He praised both the workforce and cars, saying the quality of the latter was "every bit as good as that of the cars produced in Japan."

He said the soaring value of the yen had been a contributing but not sole factor in the decision. The UK had become an attractive manufacturing base in its own right.

Up to £25m of the new investment is to be provided under various regional aid schemes by the UK Government. To date, total spending on Nissan's UK plants has reached £90m.

The additional 100,000 cars a year output will create 1,000 extra assembly line jobs, and about 400 component and other associated jobs at the 800-acre Sunderland site, bringing Nissan's UK workforce to 3,500.

It will increase the value of planned component purchases in Europe in 1992 to £450m a year from £250m, at current prices. Of this, Nissan expects around 80 per cent to be spent with UK-based suppliers.

Mr Ishihara said that around 60 per cent of hatchback production would be exported, together with 40 per cent of Bluebird output.

Initially, EC content of the hatchback is to be 60 per cent, rising to 80 per cent. This is as measured by ex-factory gate price, which includes all overheads. Similar local content criteria were set for the Bluebird saloon, production of which began last year and which is expected to reach 60 per cent local content in January.

The 80 per cent content level can be reached without either engines or transmissions being sourced inside Europe. Nissan officials refused to predict when, or even if, engine or transmission production might be brought to the UK.

Currently the plant is still building up Bluebird production. Output is scheduled to jump from 30,000 units this year to 50,000 in 1988, when exports to continental Europe are scheduled to start.

Mr Ian Gibson, deputy managing director of Nissan Motor Manufacturing the UK subsidiary, said that the plant would have a balance of trade surplus by 1989, when he expected 20,000 cars to be exported to Europe, rising to 40,000 the following year.

However, the long-term nature of Nissan's commitment was underlined by a further acknowledgemnt from Mr Ishihara that the UK venture would not be profitable for another five years.

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WALDHEIM AFFAIR LEAVES PARTY FUMBLING

The Austrian People's Party is paying the price for supporting the President, Mr Kurt Waldheim, Page 3

Ceausescu vows to stand by debt repayment policy

BY JUDY DEMPSEY IN VIENNA

MR Nicolae Ceausescu, the Romanian president and Communist Party leader, said yesterday he would "act with all determination" to repay the country's hard currency debts even though the policy has led to severe food shortages, rationing and growing discontent.

At the same time, and almost certainly in response to recent workers' unrest, he promised pay increases of up to 10 per cent for all workers, part of which will come into effect in the middle of next year.

Mr Ceausescu was addressing the national conference of the Romanian Communist party on its opening day in Bucharest. The conference had already been postponed twice. The second postponement was partly due to the demonstrations in Brasov last month in which thousands of workers marched through the streets demanding bread and an end to the dictatorship.

During his lengthy speech, Mr Ceausescu made no reference to the unrest or growing discontent which was triggered by poor food supplies and stringent measures against the use of domestic supplies of gas and electricity.

He acknowledged, however, that the first two years of the current five-year plan "were below target". Even though economists regard the targets as unrealistic, Mr Ceausescu insisted that "resolute measures be taken to do away quickly with the negative state of affairs in all spheres and ensure the proper fulfilment of the plan for 1988 and the five-year plan".

Mr Ceausescu sacked several ministers over the past three months for failing to fulfil the plan, alleged incompetence and poor management. Yesterday he called for greater ideological discipline in the party to improve the level of work.

In a speech of unrelenting rhetoric, Mr Ceausescu said the country would "face but would overcome difficulties". In the end, he said, such policies would lead to a "general high level of civilisation and culture for the entire nation".

In language reminiscent of the 1950s and out of touch with the more pragmatic outlook of his East European allies, Mr Ceausescu said the country was set on a path towards "the radiant summits of communism".

He warned delegates and the Romanian people to be on their guard against what he called "outside propaganda" and to continue to serve the nation and protect its sovereignty.

Apart from the rhetoric and the apparently unrealistic goals, words such as glasnost, or openness, and perestroika, or restructuring - the twin policies of Soviet leader Mr Mikhail Gorbachev - found no place in Mr Ceausescu's speech.

The other East European leaders use the words, even if there is a measure of lip service, and the Romanian leadership's style of language and presentation grows further apart from the rest of eastern Europe.

General election leaves Belgium deeper in the fog

Tim Dickson in Brussels assesses the complex outlook for the country's politics following last Sunday's poll

INTENSE negotiations between Belgium's main political parties got under way yesterday after the final results of Sunday's general election confirmed a significant setback for Prime Minister Wilfried Martens' Flemish-speaking Christian Democrats (CVP) and a marked swing in the south to the French-speaking Socialist party.

Far from clearing the air, however, the poll has greatly clouded the political outlook, so it could take several weeks to compose the next Government. All that is certain is that an explosive mixture of personalities, competing economic policies, and bitter linguistic rivalries will be thrown into the melting pot.

No one (or even two) parties is big enough to govern on its own in Belgium where the familiar right- and left-wing labels (Liberals and Socialists, with Christian Democrats broadly middle-of-the road) are complicated by a polarisation between the French- and Flemish-speaking communities. (All the main political groupings, divided into two in the 1970s).

Immediate attention, meanwhile, is focused on King Baudouin who is expected to appoint an *informateur* to take soundings among the political parties in the next few days. Following this, a *formateur* will be charged with trying to construct a workable coalition from the 11 parties now represented in Parliament.

Mr Martens tendered his resignation yesterday morning – amid newspaper headlines greeting the dawn of a post-Martens era – but the man who has dominated Belgian politics since 1979, and who has been Prime Minister for all but six months of that period, should not be written off just yet.

Political commentators attributed the CVP's poor showing in Flanders partly to his own tiredness and the perceived staleness of his economic ideas – as well as too close identification with the deep-rooted language dispute – but the parties of the outgoing centre-right coalition still hold a majority of seats in the Chamber of Representatives. Their final joint tally yesterday of 110, three more than absolutely necessary, was higher than expected late on Sunday night.

Most observers assume nevertheless that the King will invite one of the Socialist parties (between them now the largest political "family") to have first go at forming a government. One possibility might be Mr Guy Spitaels, president of the French-speaking Parti Socialiste (PS), which was the major beneficiary in the election with a near 5 per cent increase in its share of the vote, six new seats in the Chamber and a virtually unassailable position in the regional executive of Wallonia.

Socialist gains in the south have restored the position before the last election in October 1985. Besides its appealing economic campaign slogan *La Retour du Coeur* (The return of the heart), the party's championing of Mr Jose Happart, the defiant Francophone mayor who symbolises Belgium's linguistic divisions, appears to have attracted strong support.

The French-speaking Christian Democrat party (PSC), which is much smaller than its Flemish counterpart and just about held its own on Sunday, is thought most ready for a deal with the Socialists. But strong differences between Mr Spittaels and the CVP over the linguistic status of the famous Fourons commune, and others round Brussels, could frustrate any rapprochement across the country's linguistic boundary.

As the biggest party in the country, the CVP is in a pivotal position and yesterday formally expressed its preference for continuing "if possible" to co-operate with the two Liberal parties – the PVV in Flanders and the PRL in Wallonia. The Liberals' performance illustrates one of the more interesting phenomena of the election: the quite different pattern in Flanders and Wallonia. The PVV, whose rising star, Mr Guy Verhofstadt, the former Budget Minister, actually pipped Mr Martens in his native Gent, did surprisingly well. But their French-speaking counterparts fared badly, even in their traditional stronghold Brussels.

Ironically, Mr Verhofstadt will probably have to tone down some of his ideas on fiscal reform and social security changes if the Liberals are to govern with the Christian Democrats. This negotiation is likely to be particularly tough.

Nobody, however, is ruling out an ultimate three or six-way coalition between all the main parties, which could make it easier for concessions to be made and might just open the way for a programme of constitutional reforms to defuse the perennial language row.

Hardliners force out Serbian leader

By Our Foreign Staff

MR IVAN STAMBOLIC, president of the Yugoslav republic of Serbia, was sacked yesterday at a meeting of the republic's collective leadership. He is to be replaced by General Petar Gracanin, retired army chief of staff.

Mr Stambolic had been accused by Communist Party hardliners of being soft on Albanian nationalists in the province of Kosovo, which is part of the republic of Serbia.

He had resisted pressure to resign after losing a vote two months ago in the Central Committee of the League of Communists of Serbia over the expulsion of his protege, Mr Dragisa Pavlovic, the Belgrade party president.

Mr Pavlovic disagreed with the majority of the party over tactics to confront Albanian nationalism in Kosovo, which has an 80 per cent Albanian majority.

Mr Stambolic had been variously accused at party meetings and in the media of being against party policy, of building his own faction, and of being the rallying point for anti-party elements.

In Yugoslavia's constituent republics, autonomous provinces like the country as a whole have collective presidencies. The Serbian collective presidency is elected by the republic's parliament and the collective body in turn has the power to elect and dismiss its presidents.

Mr Stambolic remains a member of the collective presidency, but he could be removed by a secret ballot in the republic's parliament. A vote on his membership is expected soon, unless he resigns.

EC ministers agree radiation safety levels for food

BY WILLIAM DAWKINS IN BRUSSELS

ONE OF the last serious barriers to an accord on safe levels of radiation in European Community food was removed yesterday.

A qualified majority of member states agreed that the stringent standards imposed after the 1986 Chernobyl nuclear accident should continue for the next two years. West Germany, Luxembourg and Denmark wanted tougher standards but allowed themselves to be outvoted (along with Greece) at a foreign ministers' meeting.

The agreement also represents a climbdown by Britain and France which wanted to follow the advice of a panel of EC scientists to go for much looser safety limits.

The standards accepted yesterday are for 370 bequerels per kilogram of dairy produce, rising to 600 bq/kg for other food. If the accord is ratified it will end the food industry's anxieties about a plethora of differing national rules.

However, it must await the opinion of the European Parliament, due to be delivered tomorrow. The Parliament has favoured even tougher standards and could, in theory, block the agreement by refusing to give an opinion.

Assuming it does not, ministers will give final approval in three months time. Under the deal, the maximum amount of radiation allowed in food stays the same for the foreseeable future, but would actually go up in the event of another nuclear accident, an irony which reflects the agonising political debate on the levels between member states, the Commission and Parliament.

The new emergency levels, to be triggered by a nuclear disaster are 1,000 bq/kg for dairy produce and 1,250 bq/kg for other food. Although they look much more relaxed than the existing post-Chernobyl standards they would apply more widely – to all food marketed in the EC, rather than just food imported from non-member states as in the present standards. The Commission proposed them as a compromise between the 4,000-5,000 bq/kg advised by its scientists and the restrictive standards demanded by the most environmentally sensitive EC governments.

They would come into force automatically after a new accident but the Commission would propose more specific standards later after having measured actual radiation levels.

Yugoslavia fears for its markets in Community

BY WILLIAM DAWKINS

YUGOSLAVIA yesterday told the European Community that it fears its crisis-hit economy could suffer because of being left out of EC decision-making.

Mr Milos Milosavljevic, the Deputy Prime Minister, told the 12 foreign ministers that Yugoslavian trade could be damaged if its companies were left out of the EC's drive to create a free internal market by 1992. Speaking at the annual meeting of the EC-Yugoslavia Co-operation Council, he asked for closer links with the Community on setting industrial standards and for more involvement in EC-funded research and development programmes.

Commission officials said Mr Milosavljevic's requests were unlikely to be met in full. But a joint EC-Yugoslavian panel was being set up to study the likely impact of the Community's internal market on the country's economy. It is to be headed by Mr Claude Cheysson, the Commissioner in charge of relations with Mediterranean states, and a senior Yugoslavian minister.

Yugoslavia is the EC's biggest East bloc trading partner after the Soviet Union, with exports to the Community running at Ecu5bn (£3.4bn) last year, against imports from the EC of Ecu6bn.

Turkey 'must cut inflation'

TURKEY must reduce high inflation and unemployment rates before it can be accepted as a full member of the European Community (EC), President Kenan Evren said yesterday, **Reuter reports from Ankara.**

President Evren, addressing the first session of parliament since general elections on November 29, urged members to find solutions to joblessness and the rising cost of living.

"It would be too optimistic to expect that Turkey can be accepted as a full member of the EC before it reduces the inflation and unemployment rates," he told the 450-seat assembly.

The inflation rate is likely to reach 45 per cent by the end of the year while unemployment is around 16 per cent, according to unofficial figures.

Italy's neo-fascists pick Fini for their new leader

BY JOHN WYLES IN ROME

AFTER A congress of tears, catcalls and the occasional exchange of blows between deeply divided factions, the 35-year-old Mr Gianfranco Fini yesterday became leader of Italy's neo-fascist party, Movimento Sociale Italiano.

His narrow winning margin of 727-608 votes at the congress in a Sorrento hotel swung a floodlight on the split over future strategy within Italy's fourth largest party, which has been pushed to the margins of politics over the last 20 years.

The passions involved occasionally brought a handful of the least democratically disciplined to blows. They also frustrated all behind-the-scenes efforts to cut deals between four candidates whose obduracy, as a result, kept the congress voting well into Monday morning.

The final contest was between the two strongest exponents of conflicting strategies: Mr Fini, known as the young Dauphin because he enjoyed the backing of the outgoing party secretary, Mr Giorgio Almirante, and Mr Pino Rauti, a 61-year-old "leftist" who wanted the MSI to break with its right-wing fascist past and to exploit the decline of the Italian Communist Party by putting emphasis on its Socialist credentials.

An exuberant but calm Mr Fini promised no such radical change after his victory yesterday. The MSI would continue to insist on changes in the current constitutional system and to oppose both the current government led by the Christian Democrat, Mr Giovanni Goria, and any possible alternative led by Mr Bettino Craxi, the Socialist.

Nevertheless, Mr Fini will be under pressure to exploit the 5-7 per cent the MSI habitually polls in Italian elections to greater effect in the regular formation of new governments.

France's defence policy tied more closely to its neighbours

BY IAN DAVIDSON IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, has made another significant gesture towards a political rapprochement on defence between France and its neighbours in Western Europe. But he has left tantalisingly vague how this is to be carried out, and he has exposed himself to the reproach by the Socialist opposition that the development of France's security policy belongs to the President and not to the Prime Minister.

He told a meeting of diplomatic journalists in Paris yesterday that the defence and security of Europe must be strengthened by all possible means and that, while the bilateral relationship between France and West Germany naturally took priority, it was necessary for France and Britain to find "a certain synergy and to link their efforts."

He recalled that a year ago he had urged the seven-nation Western European Union defence grouping to develop a European defence charter, and he described the platform published by the WEU at the end of October as "an historic event for Europe".

Mr Chirac's remarks yesterday followed a weekend speech to the Institut des Hautes Etudes de Defense Nationale which appeared to go further than any previous government statement towards an unequivocal and automatic French commitment to the defence of West Germany.

"Who can doubt," he asked, "that if West Germany were the victim of aggression, the engagement of France would be immediate and without reserve?"

The traditional Gaullist doctrine has been that France must retain complete freedom of decision as to its commitment to any conflict in Europe, while at the same time reaffirming its political loyalty to Nato.

The logical corollary of this position has been that France might stand aside while West Germany was being destroyed. But in his speech to the IHEDN, Mr Chirac ruled out the idea that West Germany could be a buffer zone. "There cannot be a battle for West Germany, and another battle for France."

This is quite a step forward from an earlier Chirac formulation, in which he said that France depended for its survival on its own frontiers, and for its security on those of its neighbours.

In recent years, the purity of Gaullist doctrine has been progressively diluted. President Francois Mitterrand, in particular, has taken significant steps to strengthen France's defence links with West Germany and its political commitment to West German security. Until now, however, he has stopped short of an absolute commitment to immediate involvement in a European conflict.

Mr Lionel Jospin, leader of the Socialist party, has alleged that the Prime Minister was too lightly removing the necessary element of doubt about the independence of French military forces, and encroaching on the privilege of the presidency. Mr Chirac retorted that there was absolutely no divergence on defence policy between the Matignon and the Elysee.

But he has not explained how French defence doctrine can be reconciled with that of its Nato allies. To the French military establishment he seemed to suggest at the IHEDN that, in the wake of the INF agreement, the stretching of France's medium-range land-based and air-launched nuclear missiles would give greater flexibility to the concept of the sub-strategic nuclear strike. However, he did not explain how France's doctrine of the "final warning" could be combined with Nato's one of "flexible response".

On the contrary, he frankly acknowledged the *dilemma*. "These initiatives," he said, "will only find their full significance the day we can tackle the fundamental problem: can France and West Germany agree on common strategic concepts?"

Mr Andre Giraud, the Defence Minister, appeared in a recent speech to be toying with a significant shift in the direction of "flexible response". Clearly Mr Jacques Chirac, the standard-bearer of Gaullism, is not prepared to go so far.

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EUROPEAN NEWS

West German fears rise as dollar sinks

BY DAVID MARSH IN BONN

PROMPTED BY the renewed fall of the dollar against the D-Mark yesterday, West German worries *are intensifying about the* impact on the economy of a prolonged period of currency turbulence.

Mr Helmut Geiger, president of the West German savings banks association, said in Bonn yesterday that the further drop in the dollar had brought the economy close to a "negative spiral" which *could seriously* depress investment.

He also warned of the risks of new tension in the European Monetary System, concerning particularly the French franc. "The more the dollar sinks, the greater will be the dissonance in the EMS. The stronger currencies can hold out longer than the weaker," he said.

The Bonn Government and the Bundesbank are placing particular weight on keeping the D-Mark appreciation against EMS currencies within limits because of the two-thirds of West German exports sold within Western Europe.

Mr Geiger's remarks coincided with blunt criticism of Bonn's limited stimulus measures this month by *Mr Franz Josef* Strauss, the Bavarian Prime Minister and leader of the Christian Social Union coalition party. Mr Strauss said in a newspaper interview yesterday that West German *measures* taken up to now to boost the economy were "a drop in the ocean" and "anything but sufficiently helpful."

Mr Strauss said he saw no "immediate dangers" from the fall in the dollar, but said it would wreak economic damage in the medium term, especially in weakening US defence capabilities.

Bonn government officials during the last few weeks have been expressing cautious optimism *about the ability* of West German industry to live with a dollar at the level of around DM 1.65. Yesterday, however, at the midday Frankfurt fixing the US currency declined again to a record low of DM 1.6236, against DM 1.6315 on Friday.

Mr Geiger said he believed export-oriented industry had already gone through the "pain threshhold" as a result of the D-Mark appreciation, and said that if the dollar fell further towards DM 1.60 "nervousness will increase." He called on the US Government to issue foreign currency bonds, following the example struck by the Carter Administration in 1978, as a means of financing the US current account deficit.

Meanwhile, a research study published yesterday identified a dollar rate of DM 1.77 as the level below which the majority of West German companies would either make losses in exports or suffer a reduction in *market share. The survey by the* Tuebingen-based Wickert Institute was based on the questioning of 3,220 companies.

Professor Hans-Karl Schneider, the chairman of Bonn's independent council of economic advisers, which is forecasting growth of only 1.5 per cent in the Federal Republic *next* year, said last week that the dollar was currently clearly undervalued. If, however, it fell on a permanent basis towards DM1.50 the Government should give up its cautious stance and decide a full-blooded reflationary programme, including the possibility of additional budget expenditure measures.

Judy Dempsey looks at the price the Austrian People's Party is paying for its support of the President

Waldheim affair leaves conservatives fumbling

AS LONG as the bitter controversy surrounding the wartime activities of Mr Kurt Waldheim, *the Austrian President, drags on,* the more difficult it will be for the Conservative People's Party (OEVP) to reorganise and win an overall majority in a general election.

This is a view now shared, though only privately, by some members of the OEVP, who are frustrated *not* only about the party's performance in the election of November 1986, which it lost, but also about the extent to which the Waldheim affair has damaged the image of the party.

"We are without direction, we are fumbling in the dark, we have a noose around our necks," was how one OEVP official put it.

During the presidential election campaign in spring 1986 the OEVP unflinchingly supported Mr Waldheim. The more the allegations about his wartime activities became an issue, the more the People's Party rallied around.

Mr Michael Graff, then general secretary of the party, did not hide his criticism of, if not contempt for, the New York-based World Jewish Congress. During the campaign the congress alleged that Mr Waldheim knew about or was involved in the deportation of Jews from Salonkia to their deaths in the concentration camps, as well as the *murder of thousands of Yugoslav* partisans. Mr Waldheim has consistently denied these allegations.

Even more damaging was that the party did not condemn the anti-Semitic sentiments expressed at the time by some of its leading officials.

This lack of discipline was bound to catch up with the party. Mr Graff was forced to resign a *fortnight ago*, after he gave an interview to *L'Express, a French magazine, in which he* said that if it could not be proved that Mr Waldheim did kill six Jews with his own hands, then there was no problem.

The fall-out also forced the resignation of Mr Carl Hoedl, the deputy mayor of Linz, who several months ago wrote to Mr Edgar Bronfman, president of *the World Jewish Congress*, comparing the persecution of Mr Waldheim by the congress to the crucifixion of Christ by the Jews. The party again *took* no action.

One reason for the inaction is the general election defeat of November 1986. After 17 years in opposition, the party again failed to win power, becoming the junior partner in the Socialist-led coalition.

"There was tremendous disappointment. It damaged the discipline in the party," Mr Josef Taus, a former general secretary of the party, says. The OEVP, unlike the Socialist Party, is a decentralised organisation in which *the* leaders *in the* provinces exercise considerable power.

Kurt Waldheim: accused of complicity in wartime atrocities in the Balkans

The loss of the election was also, according to OEVP officials, a "personal tragedy" for Mr Alois Mock, the Foreign Minister and vice-chancellor and chairman of the party. For all his linguistic talents, Mr Mock is regarded as an ineffectual leader, tired, lacking direction and deeply inhibited by the Socialists.

More than electoral defeat has dogged the party, whose share of the vote continues to decline. More importantly, the party failed to respond to changing social patterns in the mid-1960s and 1970s in Austria.

The party's original powerbase was among the small farmers who belong to the OEVP-organised Farmers Federation and the *small entrepreneurs, the klein burgerlich,* belonging to the OEVP-run Employers' and Trades People's Federation.

As farmers drifted to the towns and took part-time jobs in industry, the Socialist Party quickly seized the opportunity to win new support.

"The OEVP never responded to the changing patterns. They never saw that the small farmer was moving out, the small entrepreneur was moving to bigger industries. They lost many of their original voters. They missed an opportunity," an OEVP academic commented. The OEVP also lost a large section of the younger generation.

They are now losing the support of intellectuals, a wing represented by Mr Erhard Busek, the former vice-mayor of Vienna, who was defeated in the recent elections. With the Waldheim *affair still* hanging over the party, the OEVP will find it increasingly difficult to recruit younger academics

What particularly worries Austrian conservative intellectuals is that the OEVP will be identified, if not with anti-Semitism, then with lack of courage in approaching Mr Waldheim to speak the truth about the past. They fear the present image of the party will smother the liberal wing of the OEVP, largely concentrated in the *wirtschaftsbund*, the economic department.

They also worry that the Cartellverband, an old Catholic conservative students' union which wields enormous influence in the party, will gain greater prominence under Mr Mock, who is a member along with Mr Graff, Mr Helmut Kukacka, the new general secretary of the OEVP, and other top OEVP officials.

"That is one of the avenues up to the top of the party," an OEVP economist argued. "It is *cliquish and often intolerant."*

Bangemann in Moscow for trade discussions

THE West German Economics Minister, Mr Martin Bangemann, flew to Moscow yesterday for two days of talks with senior officials on joint-venture projects and reform in the Soviet economy, Reuter reports from Bonn.

Ways to re-invigorate bilateral trade, which declined by 22 per cent in 1986 and by 24 per cent in the first nine months of this year, will be discussed, a ministry official said. Bilateral trade for 1987 as of the end of September totalled DM11.1bn (£3.7bn).

The Soviet Union is currently involved in 12 joint business ventures with the West, four of them with West German companies.

Swiss jobs for more foreigners

By John Wicks in Zurich

THE NUMBER of working foreigners in Switzerland has risen to its highest level since 1975, according to a government report. A new anti-immigration *referendum is pending.*

The report said the total had reached 822,746 by the end of August, as much as 4.5 per cent higher than the corresponding 1986 level and equal to well over a quarter of the entire labour force.

The nationalist party, Nationale Aktion, is supporting a referendum motion which seeks to limit the number of new residence permits to that of foreigners leaving Switzerland. At the same time, the maximum number of permits for seasonal employees and people coming across the border to work would be set at 100,000 and 90,000 respectively.

This proposal, which also seeks to have a maximum overall population of 6.2m written into the federal constitution, was last month opposed by the Federal Council (cabinet), which recommended Parliament to turn it down.

Despite this, and the fact that it is the fifth referendum of its kind since 1970 — all of which have been thrown out by the electorate — it is thought the new version might collect popular support in that it does not foresee any actual expulsion.

In fact, the make-up of the foreign labour force has changed substantially in recent years. Today, no fewer than 578,000 of the total have residence permits, of which nearly 442,000 accord domicile rights. This means that far fewer of the foreign workers intend to return home and that it would be more difficult to send them home.

This would become noticeable in the case of an economic recession. During the slump of the mid-1970s hundreds of thousands of aliens left Switzerland, thus providing a cushion against domestic unemployment. A serious economic setback in future would be much more immediately reflected in the jobless rate.

Warsaw Pact makes concession on troop cut talks

BY JUDY DEMPSEY IN VIENNA

NATO AND the Warsaw Pact yesterday reached agreement *in* principle on objectives and methods of a new conventional arms reduction forum.

The two sides, which have been holding informal meetings in Vienna since February to look for new ways to reduce conventional forces in Europe, agreed that only conventional weapons and not nuclear weapons should be included in the objectives and methods. This is something on which the Nato countries have *insisted for several months.*

In its draft document on conventional stability, presented to the meeting in July, Nato specifically spelt out its objectives for any new conventional arms talks. These included the establishment of a stable and secure balance of conventional forces at lower levels, the elimination of disparities prejudicial to stability and security, and the elimination of the capacity to launch a surprise attack or to initiate large-*scale offensives.*

The Warsaw Pact, in its draft plan presented in June, suggested that nuclear weapons be included in any new conventional arms reduction forum.

During yesterday's meeting, however, both sides agreed to strengthen stability and security in Europe through what they referred to as a stable and secure balance of conventional armed forces which includes conventional armaments and equipment. No mention was made of nuclear weapons, which Western diplomats regard as a breakthrough in these informal negotiations.

The Pact is still insisting that some tactical and nuclear weapons be included in the overall scope of the talks. "But the agreement means a good atmosphere for a new round which starts in the new year," a Western diplomat said.

Even if agreement were reached on this issue, the talks cannot be formalised without a mandate from the Conference on Security and Co-operation in Europe, the framework in which new conventional arms talks would take place. Western diplomats say a manadate would depend on the Soviet Union and Eastern Europe making similiar concessions on human rights as well.

Ozal starts to form new government in Turkey

TURKEY's Prime Minister, Mr Turgut Ozal, yesterday submitted his resignation to President Kenan Evren to begin the procedure for forming a new government following his election victory last month, AP reports from Ankara. The President duly asked him to set up a new government. The move came a few hours before the opening of a newly-elected parliament.

Emerging from a meeting with the President at the Cankaya Palace, Mr Ozal said that he would try to complete the task before the new year. In the meantime, the current government will stay in a caretaker role.

Under Turkey's constitution, Mr Ozal must propose candidates for the ministries for the approval of the President. Once the cabinet is accepted, the Prime Minister must present his government programme to Parliament within a week for a vote *of confidence.*

Mr Ozal won a new five-year mandate in a general election on November 29. His centre-right Motherland Party received 36.3 per cent of the vote and captured 292 out of 450 seats in the single-house Parliament.

Seven parties put up candidates, but only three parties won enough votes to be represented in Parliament. The Social Democrat Populist Party became the opposition leader with 24.8 per cent of the votes and 99 seats.

Another centre-right party, the True Path Party of Mr Suleyman Demirel, a former Prime Minister, gained 19 per cent of the votes and won 59 seats.

The new Parliament *will hold* its first session next Monday. President Evren will deliver an opening speech before the 450 deputies take the oath of office.

The Prime Minister returned home on Sunday from the United States. He spent 12 days in Houston, Texas, where he underwent an eye operation.

AS THE NEEDLE TOUCHED 201.6 Km/h, THE LOUDEST THING IN THE AUDI 100 WAS HERR BECK'S SUIT.

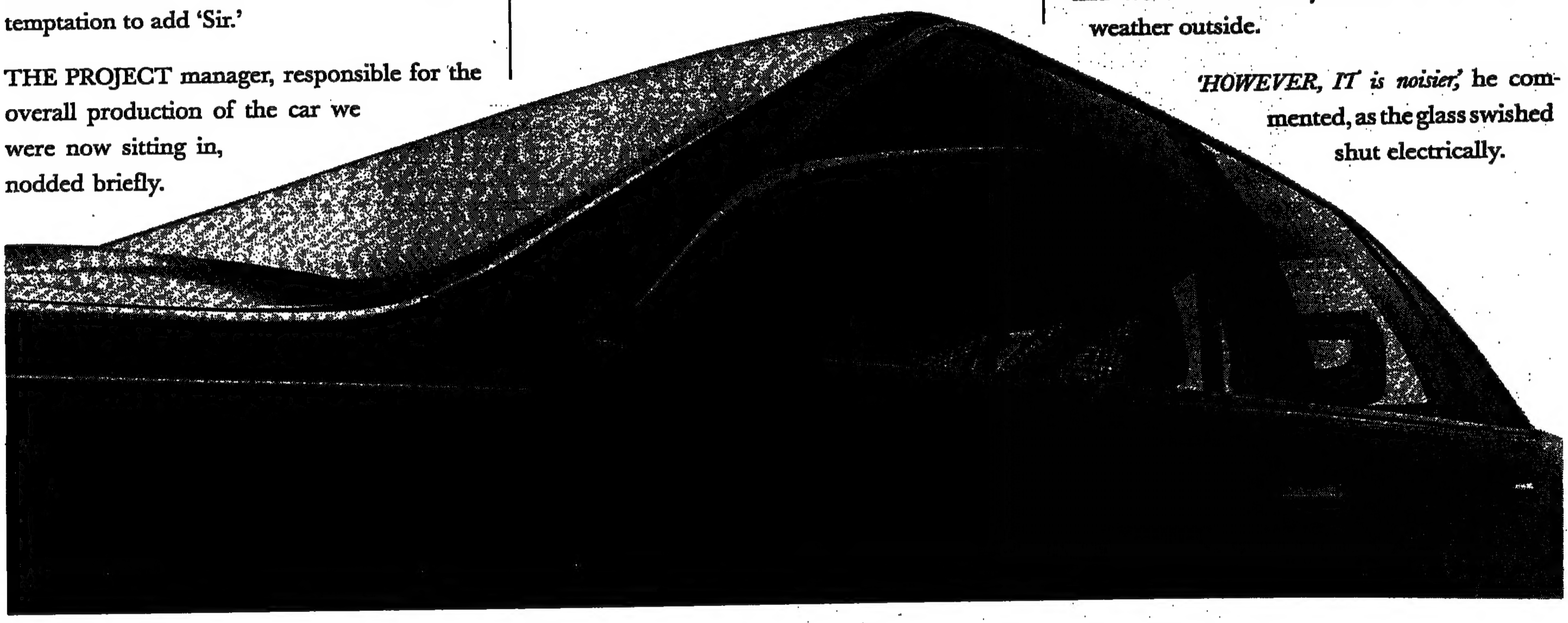
'HERR BECK will be with you in two minutes,' smiled our host, politely closing the doors.

FOR 119 seconds we sat in spacious comfort, peering out morosely at the rain sweeping across the Erha-Lessien test track.

THEN AN immaculate Herr Beck was settling easily behind the wheel. We were off.

'GOOD MORNING,' we chorused, resisting the temptation to add 'Sir.'

THE PROJECT manager, responsible for the overall production of the car we were now sitting in, nodded briefly.



'GENTLEMEN, YOU will observe we are moving at a speed of 100 kilometres per hour. This was achieved in 9.8 seconds.'

TAKEN ABACK, we observed. Closely.

'THERE ARE two points to note. The first is that the intermediate acceleration times of the 100 are, in each case, at least two seconds faster than any of its nearest rivals. Consequently, power is readily available when it is most needed; accelerating away from trouble, for example.'

INVOLUNTARILY WE turned our heads. Only damp and rapidly receding test track met our gaze.

'The second is that'...

'YES?' WE breathed.

...'IT IS extremely quiet.'

MY COMPANION'S attempt at an awe-inspired whistle sounded like an amplified wheezy kettle. It *was* very quiet. A whisper from the windscreen wipers, the murmur of the road...

'I AM increasing the speed,' continued our driver, taking us up to 201.6 kilometres per hour. The engine maintained its gentle hum, Herr Beck his soft, businesslike manner.

'THE REASONS for the lack of noise are threefold; a five-cylinder, fuel-efficient engine (delivering 42.8 of your miles to the gallon); a coefficient of drag of 0.32; and a meticulous approach to soundproofing.'*

WE SUSPECTED that he was about to elaborate. He was.

'I AM sure you are familiar with the five-cylinder engine, pioneered by Audi. The aerodynamic drag factor of the Audi 100 was also an unbeaten first. We are flattered that so many manufacturers have attempted to emulate our aerodynamic designs.

THE BASIC shape of the car was devised in over 2000 hours of experiment in a wind tunnel, using a scale model of 1:4. This achieved a Cd of below 0.25. On a prototype, Dr Leie assessed the implication for styling, where the drag power, expressed as $P_L = 12.9\cdot10^{-6}\cdot c_w\cdot A\cdot v\cdot(v+v_0)^2$, *would not affect the Cd factor by more than 0.05. The result is the flush mounting of headlamps and windscreen, and the specially developed wipers and mirrors, as you see.'*

HERR BECK looked thoughtful. We looked askance.

'THE IMPLICATIONS of transverse drag were also considered. The Audi 100 is less susceptible to cross wind buffeting than virtually any other car. Additionally, with a front window open, the overall Cd factor is only increased by a negligible 0.008%.'

HERR BECK opened his window to demonstrate, and we were suddenly aware of the brutal weather outside.

'HOWEVER, IT is noisier,' he commented, as the glass swished shut electrically.

CALM RESTORED, our man went on. *'While the Cd factor is primarily responsible for the reduced cabin noise, hydraulically dampened engine mounts account for the lack of vibration. The accoustic transmission to the driver's seat is currently around 77 decibels. At, say, 100 kilometres per hour it would be less than normal speech levels. This is helped by special gear box and engine insulation materials developed by Herr Kuiper, our manager of Physics.'*

A REMINISCENCE of G-clamps, bunsen burners and physics lessons was interrupted by the inevitable question.

'SO, GENTLEMEN, any queries?'

THANKS TO the Audi 100, we couldn't pretend to have missed a word. Say something, I thought to myself.

'THERE IS one thing, Herr Beck,' I ventured. 'Could you tell me the name of your tailor?'

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*GOVT. FUEL FIGURES FOR AUDI 100 CD MANUAL: URBAN CYCLE 24.8 MPG (11.4 L/100 KM) 56 MPH 42.8 MPG (6.6 L/100 KM) 75 MPH 33.2 MPG (8.5 L/100 KM).

India likely to agree terms on oil exploration

BY JOHN ELLIOTT IN NEW DELHI

A CONSORTIUM of Chevron and Texaco from the US is expected to be one of the first of six international oil groups, which will include Shell of the UK, to reach agreement with the Indian Government for long-term offshore oil exploration contracts.

Along with International Petroleum Corporation of Dubai, the consortium is believed to be preparing to initial outline agreements later this week. Broken Hill Proprietary of Australia, and Amoco and Albion of the US, as well as Shell, are expected to reach agreements during the next few months.

Only Britoil of the UK has dropped out from the original list of seven tenderers which last December submitted 12 offers for nine of 27 offshore blocks. Britoil bid for only one block and came third behind Chevron-Texaco and BHP.

Securing agreements with six oil majors would be a coup for India, which failed in its two earlier rounds of offshore exploration tenders to generate much foreign interest. Only Chevron signed up in the first round in 1982, and it withdrew early in 1985 after sinking three dry wells. No company bid in the second round in 1983.

Chevron-Texaco is believed to have won two blocks on the east coast Krishna-Godavari field and one in the smaller Palar field further south. Shell is believed to be negotiating for two blocks in the south western Kerala-Konkan field where BHP is also expected to win one block. IPC, Albion, and Amoco are negotiating for one block each in the Krishna-Godavari and Cauvery fields.

The contracts will run for 25 years, extendable to 30 years, with the companies having the right to withdraw during the first five years after carrying out seismic surveys. Terms for profit-sharing on crude oil and gas are being finalised and the Indian government is believed to be prepared to drop its earlier insistence that arbitration should take place in India.

The country urgently needs big finds to expand its annual domestic crude oil production. Major oil and gas discoveries in the Bombay High field led to rapid growth in the early 1980s but this has stagnated at around 30m tonnes of crude a year. This year's output target is 30.46m tonnes.

The Government has abandoned hopes of India becoming self-sufficient in oil by 1990. Domestic demand is increasing faster than production and is expected to more than double to 90m-95m tonnes of petroleum products by the year 2000.

Portuguese shop chain in Moscow venture

By Diana Smith in Lisbon

SOVIET shoppers next year will be able to buy Portuguese household goods, food and wines in the first store in Moscow to specialise in West European goods for the public in exchange for roubles, as opposed to the exclusive hard currency "beriozkas".

A joint venture has been set up between Planco, the Portuguese trading company tied to the Pao de Acucar supermarket chain and the Soviet trade authorities, whereby Planco will supply goods, management knowhow and technical facilities to a new supermarket in a prime Moscow location.

Details are being negotiated for the quantities and types of goods to be supplied from Portugal which has a $5m surplus in its modest trade with the Soviet Union. The Soviet authorities are seeking a strong element of barter trade. The store could involve supplies worth around $100m a year, which would have a big impact on the pace of bilateral trade.

Planco is already involved in an East European shop venture, in Warsaw, where its Lisbona hard currency store was inaugurated in March. It offers Portuguese specialities such as sardines, wine, cheeses, tiles and ceramics, cork goods and household wares.

Peter Montagnon looks at US attempts to remedy a substantial trade imbalance

Asia's export 'tigers' resist revaluation

"WE HAVE had a measure of success with Taiwan, but nothing like enough. We have been rather dramatically unsuccessful with South Korea." This is how Mr David Mulford, Assistant US Treasury Secretary, characterises the results of the discreet campaign waged by the Reagan Administration for more than a year to persuade the main developing countries of Southeast Asia to revalue their currencies.

Since a speech in San Francisco last month in which Mr Mulford delivered a stinging rebuke to these countries for failing to take their part in helping to reduce global payments imbalances, the campaign has suddenly become more public and more earnest. It is easy to see why.

Taken together the trade surpluses with the US of the four Asian "tigers" – South Korea, Taiwan, Hong Kong and Singapore – amounted to $23bn (£12.5bn) in the first eight months of this year. It is, says Mr Mulford, the area of greatest deterioration in overall US trade. "We continue to see substantial deterioration and no sign of an improvement."

In recent months, moreover, the pace at which their currencies have been rising has slowed and is now well behind that of Japan and West Germany. Between the end of June and December 4, Mr Mulford says, the South Korean won rose by only 1.7 per cent against the dollar. Hong Kong's currency, which is linked to the dollar was unchanged, the new Taiwan dollar rose by 5.9 per cent and the Singapore dollar by 4.6 per cent. By contrast the D-Mark rose 9.8 per cent and the Yen 11.1 per cent.

These may be disappointing figures for the US, but they betray a deep concern in the four countries that forced revaluation might undermine at a stroke the flow of exports to the US on which they all depend to a large degree for their economic success.

The trade surplus with the US of South Korea, Taiwan, Hong Kong and Singapore amounted to $23bn in the first eight months

Some have specific reasons for resisting. South Korea can point to the risk of upsetting its economy in the run-up to this week's presidential elections, Hong Kong to renewed worry about financial confidence after the temporary closure of its stock market in the wake of October's share price collapse. Yet all are concerned that unilateral appreciation would play into the hands of competitors, allowing valuable exports and jobs to shift to countries elsewhere in Asia with smaller appreciations in their currencies.

It is a worry, however, that Mr Mulford brushes aside. South Korea and Taiwan, he says, are simply too dependent on the US for their own good. Last year exports to the US were equivalent to 27 per cent of Taiwan's gross national product. The figure for Korea was 15 per cent. "For these small countries to be that dependent seems to us unhealthy for them," he says.

Taiwan's total balance of payments surplus on current account will be equivalent to 20 per cent of GNP this year, that of South Korea 8 per cent. In relative terms their surpluses will dwarf those of Japan and West Germany, which are both expected to stand at around 4 per cent.

Mr Mulford draws a sharp distinction between South Korea and Taiwan, whose economies, he says, are still heavily protected and over-reliant on exports, and Hong Kong and Singapore, both of which pursue free trade policies. The latter have, however, both been drawn back into the argument.

In the case of Singapore this is because its trade surplus with the US grew by 65 per cent in the first eight months of 1987.

Hong Kong has produced strong arguments to justify the peg which keeps its dollar stable at HK$7.80 per unit of US currency. It says it needs a fixed rate to protect its economy from the risk of politically-induced instability in local financial markets. Officials argue it should escape pressure from the US on its exchange rate because its economy is so open. Lumping it together with other countries means there is less incentive for them to unwind protectionism and open their economies to imported goods.

Mulford: some success

But Mr Mulford argues that the other countries are themselves using Hong Kong's fixed exchange rate advantage as an excuse for delaying their own upward adjustment. The British colony's policy has become a focus of resistance to change elsewhere in Asia. "All the major trading nations which are beneficiaries of the open trading system have some responsibility to contribute to a reduction of global imbalances," he says.

The signs are, however, that the "tigers" will continue to resist this responsibility, although Taiwan, whose $75bn reserves are equivalent to three years' imports, has stepped up its rate of appreciation since US pressure became more public. For all of them short-term worries about economic dislocation are still a big deterrent.

According to Mr John Williamson of the Washington-based Institute for International Economics, such worries are overstated. "You don't want to force these countries into a wrenching adjustment. It should be a determined process aimed at getting the surplus down. That doesn't have to be catastrophic for their economies," he says.

Mr Williamson was co-author of an IIE study of the "tigers," published earlier this year, which called on the four countries to let their currencies appreciate by 10 to 15 per cent in real terms.

So far, like Mr Mulford's exhortations, it has fallen largely on deaf ears. Indeed, the signs are that awareness of the advantage of a currency link to a weakened dollar is spreading.

Thailand is generally regarded as one country which could benefit strongly in terms of investment and exports from a revaluation by the four Asian "tigers."

Last week Mr Chavalit Thanachanant, deputy central bank governor, said Thailand would not change its policy of linking the exchange rate of the baht to the dollar despite the weakening of the US currency. It would be "in Thailand's interest," he said, to maintain the existing exchange rate policy.

Kiwifruit explosion worries US growers

BY LOUISE KEHOE IN SAN FRANCISCO

THE kiwifruit, which graces so many dishes, may provide the seeds of a new trade dispute between the US and the European Community.

Californian kiwifruit growers have accused Italy and other EC producers of unfair trade practices and formally requested a US government investigation.

Their action is seen as a preliminary move to filing a trade complaint. The US kiwifruit growers' concerns centre on a major expansion of kiwifruit growing in Europe, much of it subsidised by governments.

In the past year, Italy has overtaken the US as the second largest producer in the world, after New Zealand.

According to the US growers, Italy has provided subsidies to growers in a move to cut surplus wine grape production. "What we want is free trade, but we are facing unfair competition from subsidised foreign producers," said a spokesman for the California Kiwifruit Commission, which represents growers in California who produce about 98 per cent of the US crop.

"If we have fair trade, then the kiwifruit could become the next banana of the world, but European government subsidies, if unchecked, will create an artificial surplus," the US growers argue.

Half of the US kiwifruit crop, which this year is expected to have a retail value of about $110m, is exported. The US growers claim, however, to be loosing market share in Europe to local, subsidised producers.

The kiwifruit has enjoyed an enormous boost in popularity recently. US consumption has grown by 1,000 per cent in the past five years, the growers say.

In the US, domestic growers share the market with imports from New Zealand. Fortunately for both parties, different growing seasons conveniently provide year-round supply. The California crop is harvested in October and sold through May, while New Zealand's kiwifruit begin to arrive in June. In Europe, however, the US growers must compete with an autumn crop.

Aircraft repairs setback for European airlines

BY PETER MONTAGNON, WORLD TRADE EDITOR

HOPES of European airlines that they might soon obtain increased freedom to do repair work for US counterparts were jeopardised at the weekend when the House of Representatives passed legislation blocking a liberalisation plan put forward by the Federal Aviation Administration.

The legislation was carried as an amendment to the fiscal 1988 continuing appropriations resolution and has the support of US trade unions. It has upset the European airlines which have been working since early 1986 to persuade the FAA to adopt a more liberal stance.

It was passed despite an 11-nation protest to the State Department led by the Netherlands last week. European Community officials say that other countries are expected to introduce mirror legislation if it is adopted in a Senate/House conference due to start today.

Aircraft maintenance has been in contention since the FAA became more restrictive in authorising foreign repair work early last year. US law states that US-registered aircraft must be repaired and maintained by US personnel, but the FAA can authorise foreign repair for aircraft operating internationally.

Industry executives fear that if the House legislation is enacted non-US airlines will cut back on maintenance in the US.

This would place US jobs at risk since the US has a surplus in aircraft maintenance. According to Congressional testimony earlier this year Lufthansa buys $12m annually in US repair services, while selling only $7m to US carriers. British Airways spent $11.2m in the US, but earned only $5m in maintenance work for US carriers.

EC ready to sign trade agreements with Israel

BY TIM DICKSON IN BRUSSELS

TRADE, technical and financial agreements between Israel and the European Community - negotiated to take into account enlargement of the EC last year - are expected to be signed today after EC Foreign Ministers finally gave their go ahead last night.

The issue is believed to have been linked by certain member states - notably Britain and Greece - to finding a satisfactory solution to the problem of Palestinian agricultural exports to the Community from the so called Occupied Territories.

Until now these have had to be channelled through Israel, but exporters in the West Bank and the Gaza strip will be able to make their own commerical arrangements direct with Community importers under a deal agreed between the European Commission and Tel Aviv.

Mr Claude Cheysson, the EC Commissioner responsible for relations with the Arab states, said yesterday that the agreement was a "satisfactory outcome" and that the new arrangements would be closely monitored.

Another complication is the contentious Israeli system for valuing imports for tax - known as Tamah - which the Community claims is discriminatory and wants removed within a reasonable time.

● A plan to help companies in the EC compete in the market for advanced telecommunications won formal backing from Community foreign ministers yesterday, Reuter reports from Brussels.

The plan, known as Research and Development in Advanced Communications, is part of a five-year scheme to boost the Community's performance in high-technology and to counter competition from the US and Japan.

The Community will spend 550m European Currency Units ($700m) on the scheme to co-finance research projects with industry on the use of advanced technology to transmit voice, data and images at high-speed and low cost.

OVERSEAS NEWS

Kim Dae-Jung releases a dove during a campaign rally

S Korean minister offers to resign as poll fears grow

BY MAGGIE FORD IN SEOUL

A SOUTH KOREAN Cabinet Minister offered to resign yesterday after he was accused of trying to influence voters in tomorrow's presidential election. Police also announced that a vice-president of one of the opposition parties was likely to be charged with breaking the election law.

As claims grew that a rigged election is in prospect, journalists at the state-controlled television station went on strike demanding to be allowed to pursue their work free of censorship.

Mr Kim Dae Jung, one of the two opposition candidates, is to brief foreign envoys today on ruling party activities which he claims are likely to prejudice the election results.

Mr Lee Kyu-hyo,the government minister, who was in charge of construction, denied accusations that he had tried to influence the result in favour of the government's party. He had been speaking in Pusan, South Korea's main industrial city last week. In the adjacent province, stronghold of the ruling party candidate, police announced that a local council chief had been arrested for trying to bribe voters after one of the opposition parties had complained.

Undecided voters were yesterday watching for any trend which might provide guidance about mainstream intentions, which seemed to be leaning against Mr Roh Tae Woo, the ruling party candidate, and towards his two rivals, Mr Kim Young Sam and Mr Kim Dae Jung.

Those voters who had decided to support the opposition likewise received no guidance from a minor candidate, Mr Paik Ki Hwan who stepped down yesterday advising his followers simply to vote against Mr Roh.

Vendors of videotapes showing foreign television film of the government suppression of the 1980 uprising in the city of Kwangju, home area of Mr Kim Dae Jung, appeared to be doing brisk business.

Queues of people have waited to watch the film at Seoul's main Catholic cathedral since the weekend. Facts about the episode have been covered up by the government for the past seven years.

Wider understanding of the incident might boost the chances of Mr Kim Dae Jung just as the revelations about the role of Mr Roh in the 1979 military coup which brought the present regime to power has benefited Mr Kim Young Sam.

Rumours were circulating in Seoul last night that the woman suspected of being involved in the mysterious disappearance of the Korean jet airliner off Thailand two weeks ago might shortly arrive in Seoul. Her appearance, amid speculation that she could be a North Korean terrorist may have a beneficial effect on support for Mr Roh.

India may purchase Soviet N-sub

By John Elliott in New Delhi

INDIA is believed to be expecting to take delivery soon from the Soviet Union of its first nuclear-powered submarine, which would dramatically expand its naval power in the Indian Ocean.

No official announcement of a purchase has yet been made but it is understood India had hoped to take delivery of at least one such submarine by the end of this year. The Soviet Union is India's biggest single foreign supplier of defence equipment.

Since the late 1960s, India has built up a fleet of eight Soviet Foxtrot class conventional submarines. This is now being expanded with two Type 1500 vessels bought from HDW of West Germany, plus two more 1500s to be built in India by 1990.

Senior government ministers and top naval officers have indicated on several occasions in recent years that India is interested in a nuclear powered submarine, but they appear reluctant to confirm a specific order until they are sure that the Soviet Union will definitely deliver the vessel.

Recent newspaper reports in India suggest that delivery of a vessel named the Chakra, which would carry conventional, not nuclear, weapons, has been expected last month or this month, but may have been delayed for technical or other reasons.

India staged what it called a peaceful nuclear device 13 years ago and now insists it does not have a nuclear weapons programme. But it has threatened to reconsider this policy if Pakistan is proved to have a nuclear weapon itself.

India recently acquired its second aircraft carrier from the UK which it is equipping with British Sea Harrier jump jets and Sea King helicopters. The first Indian-built aircraft carrier is scheduled for completion in 1997.

Robert Thomson in Peking reports on a strange last-minute change of plan

Riddle of the vanishing exhibition

THE CASE OF the disappearing exhibition has been exercising the minds of Chinese leaders and newspapers in the past few days, and now threatens the tenure of a senior minister and a collection of lesser officials.

In a show of China's new-found "openness", the Light Industry Ministry proposed in August that the first national exhibition of inferior industrial products be held in mid-December and invited the masses to suggest suitably shoddy items for public display.

Unfortunately for the ministry, many of the suggested products were from factories under its jurisdiction and to exhibit them would invite ridicule and, in these days of "responsibility reform", would perhaps result in an overhaul of the ministry and the friendly factories. So the exhibition disappeared.

But the cause of consumerism counts for something in the new China, and the thousands of disgruntled householders who initially wrote to the ministry then turned to the Chinese press for assistance. Curiously, newspapers have become zealous defenders of consumer rights as, in the interests of change and of cultivating popularity, the Communist Party has decreed that flawed factories and corrupt officials are fair game.

"To call off a much-publicised exhibition at the last minute will go down in history as a farce for the Ministry of Light Industry," the official news agency, Xinhua, reported. The influential Economic Daily said the ministry's actions were a "humiliating disgrace" for consumers, who would find it difficult to overcome their ridicule for and disappointment with the sponsors.

It seems that ministry officials sympathetic to particular factories ensured that their products would not be shown, while files were tampered with and letters from irate consumers destroyed. A few factories, fearing that their "famous brands", as the Chinese call them, would become infamous, threatened to close if the event went ahead.

A few weeks ago, a consumer mole in the ministry alerted a television station to the shoddy products stored in a warehouse, and, unbeknown to senior ministry officials, a report highlighting the planned exhibition was screened. This further frightened the factories, which again intimidated the ministry. The ministry then said officially there were not enough display items to justify holding the exhibition.

The Light Industry Minister, Mr Zeng Xianlin, maintains that some shoddy goods had been "exhibited" at consumers' homes and that a video profiling poor quality goods would be made. These responses meant an exhibition was unnecessary, said Mr Zeng, whose future is under serious threat from consumer crusaders.

Ominously for the minister, Xinhua noted that "the ministry's dilemma represents contradictions that have arisen in the course of the new replacing the traditional through the current reforms." While consumer contradictions are not the contradictions Karl Marx had in mind, the agency complained that Chinese consumers lacked legal protection, and their requests for replacement products and letters of complaint were generally ignored.

International aid helps cyclone-hit Solomons

BY JOHN MADELEY, RECENTLY IN THE SOLOMON ISLANDS

AN UNUSUAL EFFORT in aid co-ordination is helping the Solomon Islands to recover from the devastating cyclone Namu which flattened its economy in May 1986.

The cyclone caused widespread flooding, massive landslides, obliterated roads and left a third of the 280,000 population homeless.

Total damage amounted to SI$25m-27m ($12.6m-13.6m), equivalent to 13 per cent of the country's national income. Estimates suggested that up to 15 per cent of oil palm production, 20 per cent of copra and 25 per cent of cocoa would be lost in the three years following the disaster, leading to a doubling of the country's foreign exchange deficit.

While cash crop output is taking time to recover, and some of the worst affected areas are still inaccessible by road, the rehabilitation effort is running ahead of schedule.

The government of the Solomon Islands appealed last year for SI$15m in aid for 20 rehabilitation projects. Donors, including Britain, Australia and New Zealand, United Nations agencies and the EC, soon responded but the problem was how to co-ordinate the funds.

The United Nations Development Programme, which co-ordinates UN development projects worldwide, took on the task of helping to co-ordinate rehabilitation aid from all donors.

Donors were asked to agree to let their normal rules and regulations be secondary to the urgent need of the Solomon Islands for an integrated programme that operated without delay.

"The programme today", says UNDP official Mr Ross Mountain, "is a tribute to a co-ordinated aid effort. It is a key reason why so much has been achieved."

Under a self-help housing reconstruction project, aid donors are supplying technical aid and materials and local people are doing the rebuilding. Technical experts from the International Labour Organisation are training islanders in the techniques of making their homes stronger to give them a better chance of standing up to future cyclones.

Egypt reassures Kuwait of backing against Iran

BY TONY WALKER IN CAIRO

FIELD MARSHAL Abdel Halim Abu Gazala, Egypt's powerful Defence Minister, yesterday began a visit to Kuwait aimed at reassuring the tiny emirate of Egyptian support should its security come under direct threat from Iran.

Field Marshall Gazala's visit continues a series of contacts between the Egyptian military and Kuwait since an emergency Arab League summit in Amman last month sanctioned the resumption of relations with Cairo.

Most Arab states broke ties with Egypt in protest at its signing of the 1979 peace treaty with Israel. Egypt has recently stepped up technical assistance to Kuwait. It is said to be assisting the Kuwaitis to operate electronic warfare counter-measures to help guard their oil loading and refining facilities against attack by Iranian missiles.

"Day by day we stand behind Kuwait and we believe that Kuwait and Egypt's security is integral," Egypt's Defence Minister said on his arrival in Kuwait. "Egypt is ready to defend the Arab nation, and to help Kuwait against any foreign aggression."

Iranian threats to its security have prompted Kuwait to turn to Egypt – the predominant Arab military power – for support. Field Marshal Gazala's visit coincides with an unfinished debate in the Egyptian leadership about the extent to which Egypt might be prepared to guarantee Gulf security.

Egypt is reluctant to commit ground forces but is willing to supply technical expertise and Egyptian officials say there has been pressure from King Hussein of Jordan for more overt assistance to Gulf states

One of the ideas being discussed in Middle East capitals is the establishment of a special Pan-Arab military deterrent force to aid beleagured Gulf states in an emergency. Egyptian officials are unenthusiastic about the proposals.

A sign of the importance of Field Marshal's Gazala's mission to Kuwait is the fact that his large delegation includes representatives of the main branches of Egypt's 450,000-strong armed forces.

Uganda troops die on border

KENYAN police killed five Ugandan soldiers in heavy fighting at the main border crossing between the two countries at Busia yesterday, police sources and eyewitnesses said. The fighting erupted early in the afternoon when 200 soldiers penetrated 100 yards into Kenya, **Reuter reports from Busia.**

Police sources said Kenyan police patrols shot dead four Ugandan soldiers in the initial clash. A fifth was reported killed later.

Gorbachev intervenes in Asean summit

By Richard Gourlay in Manila

SOVIET LEADER Mr Mikhail Gorbachev, fresh from his successes in Washington, yesterday wasted no time in intervening in the Association of South East Asian Nations summit meeting in Manila to encourage a solution of the Kampuchean conflict.

"Indisputably, the political settlement of the conflict around Kampuchea would contribute to a considerable degree to establishing a lasting, stable peace in South-East Asia," Mr Gorbachev said in a message to Philippine President Mrs Corazon Aquino, who is chairing the summit.

Mr Gorbachev's intervention in Asean's first summit meeting in 10 years comes 18 months after he launched an effort to foster better relations with countries in the Pacific rim.

Last Friday, talks between Prince Noradom Sihanouk,the Kampuchean resistance leader, and Hun Sen, Prime Minister of the Vietnam-backed government in Phnom Penh, broke down after an apparently successful meeting in France.

It is unclear why Prince Sihanouk called off further talks with Phnom Penh. His talks with Hun Sen, however, neither mentioned two other resistance groups in Kampuchea, including the former regime of the Khymer Rouge, nor did it refer to a withdrawal of the estimated 100,000 Vietnamese troops occupying the country.

Although the leaders of Thailand, Malaysia, Indonesia, the Philippines, Brunei and Singapore were meeting for the first time in 10 years, their closed-door session lasted less than 20 minutes. They will sign a joint statement today which although long on the rhetoric of greater economic cooperation within the region is short of solid suggestions as to how this should be achieved.

Possibly the most significant result to emerge from the third summit in Asean's 20-year history will be the sharing of a proposed new $2bn aid fund for the region. Mr Noburo Takeshita, the newly elected Japanese Prime Minister, arrives in Manila today for bilateral talks with the Asean leaders and is expected to reveal details of the aid package.

More than half of a $1bn fund launched by the Japanese for regional joint ventures and import substitution projects 10 years are still unused.

AMERICAN NEWS

Bresser ready to quit if fiscal package rejected

BY IVO DAWNAY IN RIO DE JANEIRO

THE POLITICAL future of Mr Luiz Carlos Bresser Pereira, the Brazilian Finance Minister, is in the balance with the presentation of a new package of fiscal measures and public spending cuts.

The minister made clear at the weekend that he would be obliged to resign if President Jose Sarney insisted on lessening the impact of the proposals, which aim to raise tax revenues and curb the public sector deficit.

Mr Bresser said: "I have always been ready to go, if I am not able to do what needs to be done," he said.

The President is due to examine a final draft of the package today before its publication, possibly on Thursday.

Resistance to the widely-leaked measures is considerable, however. While the President and several leading state governors have pledged broad backing to Mr Bresser, few are in doubt that he will meet fierce criticism when the details are published.

A broad coalition of congressmen from left to right have already challenged the minister's planned restructuring of tax bands.

In general, the left favours plans to impose a larger burden on the wealthy while reducing tax on the poor. However, it opposes deep cuts in government expenditure. The right takes the reverse position.

Leaders of both factions, however, have united to challenge the government's intention to push through the measures by decree law instead of submitting them to congress for approval. Mr Bresser says the public sector deficit – unofficially forecast at some 6.5 per cent of GDP this year – leaves no time for debate.

Among other measures said to be under consideration by the finance ministry are a radical reduction in subsidies to regional development agencies and farm products as well as the privatisation of up to 20 state companies.

The proposals put both Mr Sarney and Mr Ulysses Guimaraes, leader of the majority Democratic Movement Party (PMDB), in a dilemma. The President has repeatedly promised that he intends to govern without extensive consultation with the parties following their previous, often successful efforts to block tough economic measures deemed urgent.

Mr Guimaraes must choose between backing the government and losing congressional support or opposing the proposals and again facing charges of failing to accept the responsibility of power.

Debt-swap plan start-up

BY TIM COONE IN BUENOS AIRES

ARGENTINA'S debt-for-equity swap scheme has at last been set in motion with the publication at the weekend of the tender conditions for the first quota of $50m.

To participate in the tender, which closes on January 11 next year, the bids must accept a minimum discount of 25 per cent on conversion of the debt paper into local currency and have approval from the economy ministry.

Such approval depends on the project meeting certain conditions regarding an increase in the output of goods or services and its effects upon the country's balance of payments. Within the $50m quota, $5m is reserved for small- and medium-sized projects in which a smaller discount will be accepted.

The scheme was first aired in 1986, but met with opposition over a clause which required an additional US dollar of fresh investment for every US dollar of debt paper swapped. That condition was dropped last October and now up to 70 per cent of an investment project can be financed through debt-for-equity swaps. Imported goods, however, require separate funding and cannot be financed through the scheme.

Local bankers say there has been much interest but it has not been revealed how many projects have passed the ministry's eligibility test.

The scheme envisages $1.9bn of swaps over the next five years which will be adjudicated every two months and a discount rate fixed according to the priorities of the government's monetary policy.

Hearings begin for US judge nomination

By Lionel Barber in Washington

PRESIDENT Ronald Reagan's third-choice nominee to the US Supreme Court, Judge Anthony Kennedy, was due to testify to the Senate Judiciary committee yesterday in what are expected to be relatively smooth confirmation hearings.

Judge Kennedy, a 51-year-old federal judge from California, has aroused none of the opposition of Mr Reagan's two earlier nominees, the feverish right-wing intellectual Judge Robert Bork, and Judge Douglas Ginsburg whose candidacy lasted a mere nine days after he admitted smoking marijuana at law school.

Judge Kennedy, a graduate of Stanford and Harvard Law School, has been a judge for 11 years. President Reagan has said that he fits the conservative bill, but Judge Kennedy is very different from Judge Bork whose well-publicised criticisms of abortion, privacy rights and precedent doomed his nomination.

The nomination has proved contentious because the nine-member court is finely balanced on social issues between an ageing liberal guard and a newer, conservative block.

The controversy over who should be given the ninth "swing" vote on questions such as the constitutional relationship between church and state and affirmative action for minorities has left the court with a vacancy for seven months.

The American Bar Association – deeply split over the Bork nomination – has given Judge Kennedy its highest approval rating. The coalition of liberal interest groups which mobilised to stop Judge Bork has largely remained silent.

White House aide

PRESIDENT Ronald Reagan is to nominate Army General William Burns as director of the US Arms Control and Disarmament Agency to succeed Mr Kenneth Adelman, the New York Times said yesterday, Reuter reports. He helped negotiate the intermediate nuclear-forces treaty.

Defector in propaganda blow to Nicaragua

BY LIONEL BARBER IN WASHINGTON

THE US State Department is using a top-level Nicaraguan defector in efforts to pressure Congress to approve further US aid to the Nicaraguan Contra rebels and steal a propaganda march on the Sandinista Government.

Mr Roger Miranda Benegoechea, who defected six weeks ago, was a senior aide to the Nicaraguan Defence Minister Humberto Ortega. His revelations that the Sandinistas have laid plans for a massive military build-up on the back of Soviet aid received front-page treatment in most US newspapers yesterday.

The revelations are a propaganda setback for the Sandinistas at a time when the Central American peace plan calling for a ceasefire in the region is delicately poised. This week, members of the House and Senate are jointly to consider a Senate-approved $9m of non-military aid for the Contras. The Administration had requested $23m in non-lethal aid.

The Administration says the aid is justified to prevent the Contra rebel forces disintegrating while they attempt to bring the Sandinistas to the bargaining table. Stop-gap funding for the Contras runs out tomorrow.

Mr Miranda told American news organisations selected by the State Department that the Nicaraguan Government planned in 1980 to build a standing army of 500,000 (including active combat troops and reserves) by 1995, about double its present size.

The Sandinistas are also said to have promised supplies of Soviet SA-7 anti-aircraft missiles to leftist Salvadorean rebels last October, after they signed the regional peace accords. He said the Sandinistas are expecting deliveries of Soviet MiG fighter aircraft and Hind helicopters by 1991.

Some analysts cast doubt on whether the Soviet Union wants to increase military supplies to Nicaragua, in particular items such as MiG aircraft. The US has warned the Soviets on several occasions that it would not tolerate such a move.

On Saturday, in an apparent attempt to pre-empt the Miranda disclosures, Mr Huberto Ortega said his government was engaged in a long-term military build-up which aimed to put 600,000 Nicaraguans under arms by 1995. President Daniel Ortega subsequently clarified his brother's remarks, claiming they were only a "proposal" and the Nicaraguan Government still supported the regional peace plan.

One senior Senate aide said yesterday plans for a 600,000 standing army were inconceivable given the devastation of the Nicaraguan economy.

A second round of ceasefire talks scheduled for yesterday between the Nicaraguan Government and US-backed Contra rebels has been postponed, church and diplomatic sources said, Reuter reports from Managua.

A church source said the talks, the result of a regional peace accord, had been called off after the Government asked for more time to prepare a team of technical experts.

Mary Helen Spooner looks at a new campaign for free elections

Chile relearns the electoral game

A NEW Chilean card and board game, Elecciones Libres, is not the country's answer to Trivial Pursuit, but an exercise in civic awareness.

A multi-party organisation promoting free elections and voter registration has distributed about 5,000 copies of the game, designed to stimulate discussion of public issues, government and voting. A young volunteer at the Free Elections Committee headquarters said the games were being distributed to local neighbourhood leaders and church groups around the country and that the response had been overwhelmingly positive.

"We have had 14 years of dictatorship and a lot of Chileans have never voted or have practically forgotten what it means to vote," the volunteer, who asked for his name not to be used, said. "The game is an effort to correct this situation."

Chile's military regime is planning a plebiscite next year in which a single Government candidate will stand in a "yes or no" vote. If this candidate – who could be General Augusto Pinochet – wins a majority in favour, he will serve for an eight-year term ending in 1997.

After years of internal disputes over strategy and tactics, Chilean political parties have finally settled on a shared goal of promoting free elections – a goal which seems unlikely to be achieved before next year's plebiscite – while encouraging as many Chileans as possible to register to vote.

Leaders of the free elections campaign argue that given the regime's poor showing in most opinion polls, the broader the public participation in the plebiscite, the more difficult it will be for the authorities to claim victory.

To date nearly 3m have signed up to vote and Mr Juan Ignacio Garcia, director of Chile's electoral service, predicts that at the current rate of registration there should be 6.5m – 51 per cent out of a total population of 12.5m – by next June. The current level of voter registration is equal to that of Chile's previous voter lists, which were burned by the military following the 1973 coup, and means that a higher percentage of Chileans are likely to vote in the plebiscite than in any previous election.

A diplomat in Santiago described the free elections movement as the most credible opposition effort yet and noted wryly that its leaders had "managed to avoid arguing in public."

Mr Andres Zalvidar, the vice-president of Chile's Christian Democracts, recently predicted that when the regime holds its plebiscite, opposition groups would be able to mobilise 150,000 poll watchers to ensure that no vote-rigging takes place.

Nevertheless, Chile's opposition political parties have yet to agree on an alternative programme for government to present to would be no voters. In addition, there are signs that the Pinochet regime has been more successful in getting its adherents to register to vote than have its opponents.

One opinion survey circulating among opposition leaders indicates that while half of all Pinochet regime supporters have signed up to vote, only one in every three Chileans who said they would cast either no or blank ballots had registered.

According to this survey, had the plebiscite been held at the end of October, when 2.8m people were registered to vote, the

Gen Pinochet: hinted at an earlier plebiscite

Government candidate would have won a slight majority, winning 58.4 per cent of the votes. By the end of November 3.3m people had registered.

These percentages are likely to change in the coming months as voter registration increases, a statistical shift the significance of which is not lost on the Chilean authorities.

Earlier last month Gen Pinochet, speaking to a gathering of supporters, hinted that the plebiscite could be held months earlier than the most frequently mentioned date, September 11. This suggestion was rejected by the commanders of Chile's navy and air force, who are both known to favour a civilian as the Government candidate in the plebiscite.

"Gen pinochet will do anything, including electoral fraud, to maintain himself in power," Mr Zaldivar said. He called on Chileans to support the opposition's programme for an alternative government, not yet completed but due to be announced within the coming weeks.

Admiral Jose Merino, commander of the navy, said there would be no plebiscite before September nor before the military junta selected a candidate. General Fernando Matthet, commander of the Air force, also opposed moving the date for the plebiscite. He said the country's political parties should be given time to organise and that the Chilean people needed time to reflect on the choices they faced.

"To suddenly announce an early plebiscite would mean a lack of "seriousness" and "would not be accepted by the Chilean public, much less the rest of the world," he said.

Gen Matthei added that while the junta had not discussed the date or possible candidates, there was an agreement among junta members that if the candidate were chosen from their ranks and won the plebiscite, they would abandon their military command and govern during the new presidential period as a civilian.

The Chilean army's position in this matter is less clear, though there have been unconfirmed reports that some officers are uncomfortable with Gen Pinochet's frequent trips around the country, which his critics view as a thinly-disguised presidential campaign.

On November 16 General Manuel Barros, the Chilean army chief of staff, said he wanted to see a military man as the Government's presidential candidate and that his own personal preference was Gen Pinochet, "because our commander-in-chief is extraordinary."

November US output up 0.4%

OUTPUT at factories, mines and utilities in the US climbed 0.4 per cent in November, indicating that industry felt no immediate adverse effects in the first month after the stock market collapse, the Government said yesterday, AP reports from Washington.

The Commerce Department said the increase in industrial output followed an even stronger 0.9 per cent jump in October, which had been the biggest increase since July. Industrial production had fallen 0.3 per cent in September.

The October increase was about in line with expectations, although the government did revise upward the October performance from an originally reported 0.6 per cent increase.

Industrial production in November was 5.4 per cent higher than the level of activity a year ago. US industry has exhibited a rebound this year as the falling value of the dollar has made American products more competitive on overseas markets.

Output at American factories climbed 0.4 per cent last month. Manufacturing output had increased 0.9 per cent in October.

Output of consumer goods was up a small 0.1 per cent in November and has shown little change since August.

Motor cars were assembled at an annual rate of 7.1m units last month, down slightly from a rate of 7.3m units in October.


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SPECIAL

US to bury Star Wars' super punch

David Fishlock, Science Editor, examines SDI-funded plans for a huge store of electrical power

PICTURE an enormous electricity store with the current going round forever in a superconducting magnet the size of a football pitch. This power reservoir, measuring 100 metres across, would be buried deep in rock to contain the *immense* magnetic forces which would try to explode the energised coils.

It is a project under consideration in the US and one of the main driving forces behind it is the Strategic Defense Initiative, the so-called Star Wars research programme. For if the speed-of-light weapons, such laser beams, envisaged by the SDI are to work they will require great bolts of electricity constantly on tap.

And there would be other advantages to the system. If successful, it could provide an alternative to the very few options an electricity company has for storing its product, notably pumped storage and fuel cells.

The idea is to use today's ultra-cold superconducting technology in a large-scale engineering demonstration of a system the economics of which could improve appreciably if and when "warm" superconductors become available.

Superconductors in commercial use today are materials which lose their electrical resistance at extremely low temperatures. The latest "warm" superconductors under research lose their resistance at higher temperatures, which are easier and cheaper to achieve.

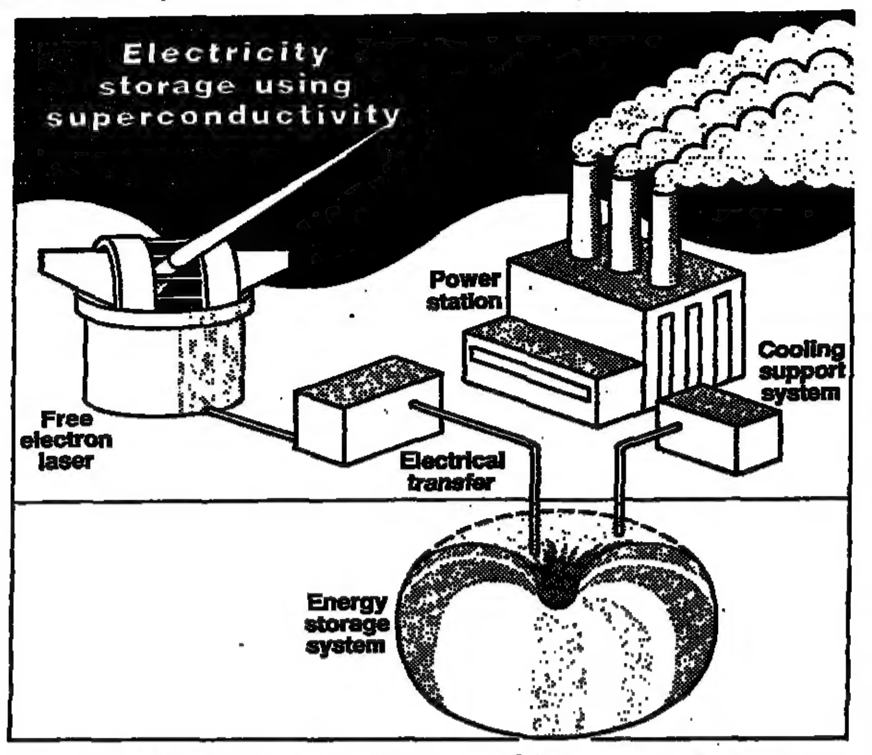
The opportunities that the technology presents means that the US electricity industry is keen to host the demonstration, even though it is not willing to put up funds. The main source of finance for the prototype project, expected to cost around $80m, will therefore be the SDI.

Paul Robinson, principal scientist with Ebasco Services, the New York engineering consultants, says SDI scientists are talking of weapon power requiring 1,000-megawatt bursts of electricity lasting about 100 seconds. Addressing a conference on challenges for the electricity industry, organised by "The Energy Daily" in Washington recently, Robinson disclosed that his company was part of a consortium bidding for the contract to build a 30 MW superconducting store for the SDI.

Madison Gas and Electric, in Wisconsin, is a leading contender to host the project, Robinson said. Wisconsin University is also involved in the engineering design, as well as Teledyne, a major US supplier of superconductors.

The prototype project is expected to take five years to design, build and test, starting in about a year's time. According to Robinson, commercial-scale magnetic storage based on this technology and cooled to a temperature as low as 1.8 degrees Kelvin, would cost about $800m.

Also expected to be involved in managing the project is the Electric Power Research Institute in Palo Alto, California, the US electricity industry's co-operative research club. Narain Hingorani, EPRI's director of electrical systems, says the attraction of a viable electricity storage system could be a higher load factor for the utility, cutting its peak generating capacity by as much as 10-15 per cent.



Only about 3 per cent of US electricity is stored at present, almost entirely in pumped storage schemes, although EPRI is also developing fuel cell systems of storage.

EPRI's own calculations suggest that a full-scale commercial superconducting store, capable of delivering 1,000 MW for five hours to meet a peak demand, would be about *half-a-mile* in diameter. Moreover, its boundaries would need to encompass a diameter of 2 miles to protect other electrical equipment from its magnetic field.

Westinghouse Electric expects to wind the magnetic coils for the prototype. Its research laboratories in Pittsburgh have long experience in working with superconductors, most recently in winding a 270 MW superconducting generator for EPRI.

John Hulm, Westinghouse's British-born research and planning director – whose own considerable contributions to superconduction are publicly acknowledged in the Smithsonium Museum – believes such a generator, rather than storage, is closer to commercial use. The attractions would be a smaller machine and perhaps half the present electrical losses, he says.

For the prototype store, the idea is to try to design it so that, should the new ceramic-based "warm" superconductors become available, they might be substituted for today's metallic ones.

Hulm cautions, however, that "a lot of creative materials engineering is going to have to be done." He foresees "very profound difficulties" in pushing beyond liquid nitrogen-cooled superconductors, to room temperature or higher, where really big benefits might be realised.

The present "warm" materials have a current-carrying capacity 1,000-10,000 times too low, and other severe shortcomings, such as their sensitivity to moisture. Hulm forecasts that another decade will probably pass before any prototypes of power engineering systems are made from these higher temperature superconductors. But some electronic applications may appear within only two or three years, particularly if there is military pressure, for example for extremely fast computer processing, he says.

John Hulm was chairman of a top-level scientific committee set up by the National Science Foundation to report to the US Government on prospects for "warm" superconductors. Its report, just published, advises the Government to step up its research spending from about $30m this year to about $100m in 1988*.

The box accompanying this article contains the panel's opinion of potential applications for which superconducting technology is "proven" but not yet economically attractive.

The Hulm report identified eight major science and technology objectives which would help a national research and development programme to exploit "warm" superconductors. They were:

- Improve understanding of the essential properties of present "warm" superconducting materials, including their AC current losses.
- Develop an understanding of the basic mechanisms responsible for superconduction in the new materials.
- Search for additional materials showing superconduction at higher temperature, by synthesis of new compositions, structures and phases.
- Prepare thin films of controllable and reproducible quality from present materials and establish preferred methods for growing films suitable for electronic device fabrication.
- Develop bulk superconductors from present materials, with special emphasis on better current-carrying capacity.
- Advance the understanding of the chemistry, chemical engineering and ceramic properties of the new materials, focusing on synthesis, processing, stability, and methods for large-scale production.
- Fabricate a range of prototype circuits and electronic devices based on superconducting microcircuits or hybrid superconducting/semiconducting circuits, as suitable thin-film technologies become available.
- Fabricate a range of prototype high field magnets, AC and DC power devices, rotating machines, transmission circuits, and energy storage devices, as suitable bulk conductors are developed.

**Research briefing on high temperature superconductivity, National Academy Press, 2101 Constitution Hill NW, Washington D.C. 20418.*

Hulm report: Proven applications for superconductors

Power utility applications	Transportation	Computers
• Energy production (magnetohydrodynamics, magnetic fusion)	• High-speed trains (magnetic levitation)	• Semiconducting/superconducting hybrids, active superconducting elements
• Large turbogenerators	• Ship drive systems	
• Energy storage		
• Electrical power transmission		

WORTH WATCHING

Edited by Geoffrey Charlish

Delta relief for busy switchboards

TELEPHONE CAPACITY in existing electro-mechanical cross-bar telephone exchanges can be significantly increased using a system from Delta Communications in the UK.

Called DTMF Converter, the equipment works with multi-frequency telephone instruments rather than the older dial-pulse units. The shorter dial time (about five seconds as opposed to 14 seconds) means that the electronic devices (registers), which hold a number while it is being dialled, are able to deal with more calls, since the dialling periods are shorter.

Congestion at busy times is reduced and the capacity of the exchange can be doubled, according to Delta. The equipment takes the form of a circuit board connected between the register and subscriber lines of the exchange.

GE runs circuits into three dimensions

PRINTED CIRCUIT boards in three dimensions are now feasible, claims General Electric Plastics Europe, following the company's development of *Ultem 2200*, a *glass-filled* amorphous plastic.

The material, a polyethermide thermoplastic, is easily moulded with precision and consistency, after which it is able to withstand soldering temperatures of 210 deg C during circuit assembly.

A UK company, General Hybrid, has used the material in conjunction with electrically conductive thick film inks in a one-shot injection moulding process that allows a circuit to be made and shaped to fit, for example, the space available within a product enclosure.

Agfa slides across the cost barrier

THE PREPARATION of business presentation slides using screen and keyboard graphics systems gives more attractive results and costs less when compared with their preparation by conventional means.

But good systems that produce professional-looking slides are not cheap, and many smaller companies are unwilling to take on the investment.

Agfa-Gevaert, the German-Belgian company best known for its photographic film products, has therefore been developing suitable electronic systems in its business imaging systems division and, through a network of 12 bureaux in the UK, plans to make available for hire slide-making facilities.

Two of the bureaux are already in place, at Electric Icon in Bristol and Burlington Graphics in central London. Five will eventually be inside the M25 motorway ring, and the whole network should be in place by March 1988.

Fluid moves towards a better separation

THE FLUID Engineering Centre at Cranfield in the UK is to set up an industrial consortium to further develop a novel membrane which, designed at Cranfield, offers advantages in membrane separation processes in industry.

By sharing costs, the consortium members will obtain access to the development relatively cheaply.

The membrane consists of a thin, porous metallic layer on a robust ceramic substrate and is resistant to heat and solvents. In addition, it can be electrically charged, improving particle rejection and reducing fouling of the membrane surface.

Membrane separation is becoming increasingly important in component separation, for example in removing salt from water. But the current porous plastic membranes usually have a short life and cannot withstand either high temperatures or organic solvents.

Present ceramic-only types of membrane, says the Centre, are expensive to produce and the pore size is difficult to control. The new membrane is less costly and is more efficient due to the charging effect.

Companies joining the consortium will be offered favourable licensing terms for the final product.

Unisys key to early weather forecasts

IN THE US, leading computer company Unisys has won initial orders worth $60m for a nationwide radar-based weather detection and information network.

By 1995, it is expected that the US Government will have spent $405m on the project, which involves 195 radar systems, each consisting of a radar, a processing unit, multiple displays and communications equipment.

Called Nexrad, the project is sponsored by the US Departments of Commerce, Defense and Transportation. It will be used by the National Weather Service, the Federal Aviation Agency and the US Air Force.

Nexrad will offer improved early detection of severe weather conditions. It is expected to give greatly increased warning times for such hazards as tornadoes, gales, hail and flash floods, and to produce fewer false alarms.

How NKK's sandwich cuts building noise

A STEEL and resin composite sheet material for use in the construction industry is about to be actively marketed by Nippon Kokan (NKK), the Japanese steel and engineering group.

Sold under the brand name Calma, the product is a sandwich of synthetic resin film about 0.075mm thick between two cold-rolled sheets of steel, each 0.25mm to 2.3mm thick (depending on the structural strength needed). The composite is put through a heat press process to ensure good adhesion.

The resin, says NKK, absorbs vibration energy to reduce noise. The company is making noise reducing floors by forming sheets of Calma into decking plates. Its use in roofs and staircases is also said to cut noise levels in buildings. The initial sales target is 500 tonnes a year.

CONTACTS: Delta Communications: Republic of Ireland, 61 61453. General Electric Plastics Europe: The Netherlands, 1640 32911. Agfa-Gevaert: London office: 560 2131. Fluid Research Centre Cranfield, UK, 0234 750422. Unisys: London office, 965 0511. NKK: Japan, 3 212 7111.

JVC plans £27m colour TV plant in Scotland

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

VICTOR COMPANY of Japan (JVC), the consumer electronics company, is to set up a £27m colour television plant at East Kilbride near Glasgow in Scotland.

If successful, it will later manufacture compact disc players and display monitors for computers, creating 650 jobs by 1993.

The factory is JVC's first colour television plant in the European Community. The company already has a factory making video tape in West Germany and is in a joint venture with Thomson of France making video cassette recorders in West Germany and at Newhaven in Sussex.

The East Kilbride plant will come into production in the middle of next year, initially employing 200 people.

Mr Malcolm Rifkind, Scottish Secretary, yesterday welcomed the JVC decision as "excellent news for Scotland." The Japanese company had chosen Scotland *after looking at possible* sites elsewhere in Britain, as well as in West Germany and France.

The arrival of JVC, which has worldwide sales of about £2.5bn, marks a further strengthening of the Scottish electronics industry. Another Japanese company, Mitsubishi, has two plants *making video cassette recorders and televisions in Scotland.*

Mr Atsumu Uchida, general manager of JVC's overseas production department, said the East Kilbride plant would eventually buy 60 per cent of its components from within the EC. He expected it to buy the TV tubes from Mullard, a UK subsidiary of the Dutch group, Philips.

JVC needs to source 60 per cent of its components in the community to avoid EC tariffs on Japanese products.

Mr Iain Robertson, chief executive of the Scottish Development Agency, said it was already trying to ensure a good proportion of the plant's components *came from Scottish companies.*

Terry Dodsworth writes: JVC's decision to invest in its own television plant in Scotland *follows the takeover by Thomson of France of the Ferguson* plant at Gosport, Hants, where its products were made under licence.

Because of the ending of the deal with Ferguson, JVC is a latecomer to production in the UK. Most of its Japanese competitors, however, are already well established in Britain, with four – Hitachi, Toshiba, Matsushita and Sony – manufacturing around 300,000 sets a year each.

Japanese producers dominate the UK industry, making about half of the 3m colour televisions a year produced in Britain, according to figures from BIS Mackintosh, the market research group.

The leading individual manufacturer is now Thomson, which inherited a plant with a capacity of around 1m units a year from Ferguson (formerly owned by Thorn EMI), but which may produce well under that next year because about 200,000 units were being made for JVC.

Philips, the Netherlands-based company, is the next most important producer, with annual output of about 400,000 televi*sions. The only significant Brit*ish manufacturer, Fidelity, follows well behind the leading Japanese companies, with 250,000 sets a year.

Britain's policy of encouraging inward investment has had some *effect on cutting imports,* which have declined from 41 per cent *of the market in 1984 to 36* per cent last year. Nonetheless, although there are substantial exports from the UK, imports account for about 1.4m of the 3.9m televisions sold in the UK every year. The UK market is the biggest in Western Europe.

High-tech investment in Scotland, Page 14

Deadline set for investment licence

By Eric Short

INVESTORS wishing to transact business after the Financial Ser*vices Act comes into operation* have been told by the Government to submit their applications for authorisation before February 27 next year.

The date of the so-called "P–Day" was announced in the House of Commons yesterday by Mr Francis Maude, Corporate *and Consumer Affairs Minister.* He did not say when the Act as a whole would come into operation but that the Government was still aiming for its full implementation in April.

Mr Maude also said that Lord Young, Trade and Industry Secretary, had given his consent for the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra) to be recognised as a self–regulating *organisation (SRO).*

The Act forbids the transaction of investment business by anyone not authorised by the Securities and Investments Board, the body responsible for adminstering the Act, by the appropriate SRO operating under the board or by a Recognised Professional Body.

Firms which submit fully completed applications before P–Day are guaranteed interim authorisation while the application is being processed.

A firm with interim authorisation would follow the rules of its *relevant SRO but* come under SIB's control. That means it would not be covered by the arrangements, yet to be finalised, for financial compensation to clients in the event of the firm's collapse.

Neither would it be subject to *the temporary suspension of* Section 62 of the Act, a section which gives clients the right to sue investment firms. They could, therefore, still face lawsuits from disgruntled clients.

Lord Elton, chairman of Fimbra, welcomed its recognition as an SRO but said any firm want*ing more than interim* authorisation should apply for membership as soon as possible. Applications made in any last-minute rush would take much time to clear.

Markets crash fails to affect shoppers as retail sales boom

BY RALPH ATKINS AND MAGGIE URRY

BRITAIN'S shop sales grew to a *record level in November,* suggesting that the stockmarket crash has so far had little impact on retailers.

The retail sales volume index, published by the Department of Trade and Industry yesterday, shows a provisional seasonally adjusted 1 per cent increase last *month. The rise was greater than* most forecasts in the City of London, and follows a 0.9 per cent increase in October.

The figures come after the Confederation of British Industry/Financial Times survey of distributive trades, published last week, which suggested that retail sales growth may be slowing.

Yesterday's figures, however, together with confident forecasts by retailers, indicate strong Christmas sales which will easily exceed last year's volumes.

In the three months to November, sales were 1½ per cent higher than the previous three months and nearly 6 per cent *higher than the same period last* year when retail sales were rising sharply.

In November the index stood at 134.4 (1980=100) compared with 133.0 in October.

The figures were the start of a series of economic statistics to be published this week and the first *major indicator covering a* complete month since the slide on world stock markets began.

The surge in retailing reflects the continuing rise in real earnings, an expansion in consumer credit and recent cuts in mortgage rates.

Mr Kevin Boakes, UK economist *at Greenwell Montagu, the* securities house, said the figures showed a paradox emerging for the Government in deciding monetary policies. International trends were increasing pressure for lower interest rates, but a cut could lead to undesirable side-effects in a domestic economy that still appeared to be growing

"Any further cuts in rates *would certainly unsettle the* markets because they would not be justified by the current state of the economy as registered in indicators like retail sales," he said.

Mr Richard Weir, director-general of the Retail Consortium, the shopkeepers' trade body, found the figures slightly surprising in that they were better than expected. He said they showed the October slide in *share prices appears not to have* affected sales. "There is nothing in these figures to lead one to believe there has been any serious loss in consumer confidence," he said.

However, there seems to be some scepticism among stockbroking analysts about the accuracy of the DTI figures, which do not appear to tally with reports coming from retailers. Many stores found that sales in November were slow

Plan backs small business in Scotland

By Maggie Urry

A BID to back Scottish small business was yesterday launched by Mr James Gulliver, one of Scotland's most famous businessmen, and Noble Grossart, the Edinburgh merchant bank.

A joint company they have formed has agreed a deal to take control of Waverley Cameron, a Scottish paper company, with the plan to use it as a vehicle for investing in other businesses north of the border.

The purpose of the Waverely Cameron investment is to encourage a more dynamic small business community in Scotland and to back Scottish managerial talent – a commodity too often exported according to Mr Angus Grossart of Noble Grossart.

Through the joint company, called Sanda, Mr Gulliver will take a 64 per cent stake in Waverley Cameron.

Sanda has already bought 124,799 Waverley Cameron shares (12.9 per cent of the equity) at 270p. An offer will be made for the remainder

Contracts & Tenders

Public Notices

COURT OF SESSION
CLYDE EXPRO PLC

NOTICE is hereby given that in a Petition by Clyde Expro plc to the Court of Session, Scotland for confirmation of Reduction of Capital the Court on 10th December 1987 granted an order directing that provisions of Section 136(3), (4) and (5) of the Companies Act 1985 shall not apply as regards the creditors of the Company or any class of them and confirming the Reduction of Capital by cancellation of the whole of the Share Premium Account.

Said order, together with the undertaking to the Court referred to therein, was duly registered with the Registrar of Companies on 10th December 1987, notice of which registration is hereby given.

McGrigor Donald
Solicitors for the Company

68/73 Queen Street
EDINBURGH
10th December 1987

Art Galleries

Frozen turkey index poised to fall this Christmas

BY RALPH ATKINS

THE BATTLE for pride of place on British Christmas dinner tables is proving to be no mere poultry matter this year.

While other retailers are reporting booming trade, sales of whole turkeys this Christmas look set to remain static and may even fall compared with last year. The bird's traditional dominance of the festive season is being challenged by premium beef joints, geese and game.

About 10m turkeys will be bought in the next two weeks. But figures from Mr Bernard Matthews, president of the British Turkey Federation, whose company supplies about 40 per cent of the market, show that the FT (frozen turkey) index has changed little in the last few years.

Competition between producers has intensified. Mr Matthews says that at least one has recently stepped up production in an attempt to increase its market share at the expense of other operators such as his group and Hillsdown Holdings, which sells under the Buxted and Twydale labels.

Last week Mr Matthews gave a warning that a shortfall in sales and high feed grain prices would cut the group's profits by £1m this year. He is, however, ready to let feathers fly if a turkey war breaks out. "We are quite prepared to meet the competition. We think it is extremely foolish to try and expand into a market when it is static," he said.

Turkey has been heavily promoted in the last few years to encourage its consumption all year round. It is easy to process and sell as small roasts designed for modern-size family units.

However, Mr Matthews denies that such trends have affected Christmas sales. "The facts do not show that," he said. "The Christmas turkey market is no less than it was 10 years ago - before turkey was consumed all year round."

There is also fierce competition in supermarkets. Turkeys are often sold at a loss to attract Christmas traffic.

With most turkeys likely to be sold in the next nine shopping days, it is too early to observe trends in high street stores. But Sainsbury, although reluctant to disclose sales figures, said trade so far was following the normal pattern and it looked forward to intensive trading in the immediate pre-Christmas weeks.

Mr Michael Contini, manager at Slater & Cooke, upmarket butchers in Brewer Street, London, tells a different story. Turkey is losing popularity, he says, and for the run-up to Christmas he plans initially to order only half as many birds as last year.

"I think it is sheer boredom. It is an all-year thing now. People want something different at Christmas," he said.

His shop sells up to 1,000 Norfolk turkeys at Christmas, but this year beef is mounting a challenge. Geese are also popular but Mr Contini said they were expensive and could be difficult to prepare. "Unless you know what you are doing with a goose, you can be very disappointed," he said.

At Harrods, which expects to sell thousands of turkeys before Christmas, there has been no observable swing away from the traditional festive bird, but sales of other meats are booming. Spiced beef, cured with pepper and herbs and retailing at £3.70 a lb, is selling at volumes 20 per cent higher than last year. Pheasants, at £5.20 each, are also doing well, but wild ducks at £4.75 do not appear to have caught on as festive fare.

The most consistent campaigner against Christmas turkeys is the Vegetarian Society, representing an estimated 1.3m adult vegetarians in the UK.

The society's suggested "cruelty free" Christmas menu starts with a melon and fruit salad followed by nut loaf made with cashew nuts, breadcrumbs, onion, garlic and free range eggs. The meal is completed with traditional Christmas pudding – made with a vegetarian alternative to suet, of course.

Government may impose stricter financial targets on LRT

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

LONDON REGIONAL Transport's financial targets are likely to be tightened by the Government next year as part of a review being carried out by the Transport Department.

Opposition MPs and trade unions have claimed that existing targets may have contributed to the King's Cross Underground disaster last month, in which 31 people died.

Officials say there are still substantial costs to be shaken out of the system, and financial targets being drawn up to take effect in March are likely to be more rigorous than existing ones.

LRT, which runs the capital's bus and Underground services, has exceeded current government targets.

Those targets involve a reduction in the requirement for revenue support to £95m by the end of this year, and an annual reduction of 2.5 per cent in unit costs.

Revenue subsidy will in fact be less than £60m this year, largely because of a 50 per cent increase in Underground passengers.

Unit costs were reduced by 11 per cent between 1984-85 and 1986-87 and are expected to fall by a further 5 per cent this year.

Most of the improvement in unit costs has been achieved by reducing staff levels, which have fallen by 3,000 in the last five years, and by more than 1,000 in the past 12 months.

The National Union of Railwaymen (NUR) and Opposition MPs such as Mr Frank Dobson, shadow leader of the Commons, say the reduction in staff has made the Underground less safe.

That is disputed by officials at LRT and the Transport Department, who are confident that the King's Cross public inquiry will bear them out.

Mr Tony Ridley, chairman of London Underground, said yesterday that there was no conflict between achieving financial targets and improving the system.

"I do not accept the presumption that the King's Cross disaster resulted from general expenditure reductions," he said in a letter to Mr Jimmy Knapp, NUR general secretary.

"Should it be found that expenditure constraints. . . have been a contributory factor, then of course we will review that position," he said.

Mr Knapp said he was surprised at the "insensitive" attitude of LRT, and urged Mr Ridley to shelve all cost-cutting until the inquiry reports.

Ministers are believed to have told LRT that safety should continue to be a high priority, but that pressure to cut costs should be stepped up wherever possible.

Capital spending on the Underground is expected to rise to more than £300m next year compared with £123m in 1983.

The proportion financed by government grant has fallen, however, as the Underground has moved from a £12m loss in 1983 to £70m surplus last year.

Sellafield gets reprieve after safety checks

BY DAVID FISHLOCK, SCIENCE EDITOR

NUCLEAR INSPECTORS have lifted the threat of closure from the Sellafield reprocessing plant which it has faced for the past year.

Last December the Government's Health and Safety Executive ordered British Nuclear Fuels to submit safety cases demonstrating that its factory meets national safety criteria, as a condition of it continuing to operate the plant.

Sellafield treats spent fuel from the electricity industry's Magnox reactors. Any extended stoppage of reprocessing would force the electricity industry to shut down one of its cheapest sources of electricity.

The move by the nuclear inspectors, as part of the Health and Safety Executive, was the outcome of a highly critical audit of the reprocessing plant ordered by Mr John Rimmington, its director general, after a series of media "leaks" involving the plant.

The audit found the factory wanting in its attitude to safety, saying "there is much more that BNFL should learn to apply" about the best safety practice elsewhere in industry.

Mr Rimmington, speaking yesterday on post-audit progress during the year, said BNFL had complied with the basic demands made of it. He was pleased with progress and with the declining frequency of incidents at the plant.

His executive, he said, still had powers to close the factory, but "the particular potency with which those words were issued can now be regarded as withdrawn."

The audit had focused on the reprocessing plant and not the whole factory. BNFL said some £8.5m had been spent on work directly related to the audit and a further £42m had been committed to refurbishment of the reprocessing plant.

Mr Eddy Ryder, chief nuclear inspector, said BNFL had met the nuclear inspectors' deadline for submission of its safety cases within one year, but the inspectors would need another three to six months to assess them.

The safety cases might throw up the need for further improvements. But BNFL's current plans for refurbishing extended until 1992, he said.

Mr Rimmington said there was no escaping the fact that reprocessing would have to continue for 10 years even if the Magnox reactors were shut down now. The company was expecting to continue reprocessing for up to 20 years.

There had been no incident of any consequence at Sellafield during the past year, Mr Rimmington said. But a worry was the quantity of radioactive waste accumulating on the site, coupled with lack of any national agreement about its ultimate destination.

"The more the site is cleaned up, the more waste is going to accumulate," he said. Clean-up activities were exposing factory personnel to radioactivity that had previously been sealed up. Extra clean-up operations in the reprocessing plant had meant 10 times as much plutonium-contaminated waste as in previous years.

BNFL Sellafield: post-audit progress, December 1987. Available free from HSE public inquiry points at Bootle (051 951 4381), Sheffield (0742 752539) and London (01 221 0870).

Coal communities urge cut in opencast output

BY MAURICE SAMUELSON

A REPRESENTATIVE of 78 local authorities in Britain's coalmining areas called yesterday for a reduction in production from opencast sites, which it said created "a load of filth" and turned the environment into "gigantic moonscapes."

Mr Michael Wedgworth, secretary of the Coalfield Communities Campaign, was introducing a report on Britain's opencast coal industry. It concluded that instead of increasing output from 14m to 18m tonnes a year, as proposed by British Coal, it should immediately be trimmed to between 4m and 10m tonnes a year for economic as well as environmental reasons.

The campaign's findings conflict with the policy of the British Coal and the Government, which sees greater output of cheap, opencast coal as an asset in making British Coal profitable and reducing national energy prices.

British Coal argues that a steady supply of low-chlorine, opencast coal is also needed for blending with deep-mined coal and that its cheapness helps to defend mining jobs by blocking opencast imports.

According to Sir Kenneth Couzens, deputy chairman of British Coal and chairman of its Opencast Executive, opencast coal can compete with any other form of energy. The executive says it is a world leader in restoration of opencast sites.

However, the Barnsley-based campaign claims that present and projected levels of opencast coal mining in Britain are not justified by market or mining technology needs and represent a misuse of valuable long-term resources.

With deep mines moving to profitability, there would be no need to cross-subsidise them from opencast sites and surges in demand could be met more economically by extending the life of deep mines than investing in new opencast workings.

The campaign said it accepted that some opencast coal was needed to "sweeten" deep-mined coal but believed that British Coal had exaggerated the quantities required.

Its report, published in London yesterday, reflects the mounting opposition of local authorities to the existing level of opencast production in spite of British Coal's claim that its costs are only two thirds of those of deep-mined coal.

Opencast coal. Coalfield Communities Campaign. 1 Pontefract Road, Barnsley, South Yorkshire S71 1AJ.

Takeover Panel looks at ways to ease bid rules

BY NIKKI TAIT

THE TAKEOVER Panel, which oversees all bid and merger activity, is believed to be looking at ways of easing elements of the City code on takeovers in the light of the recent stock market plunge. An announcement might be made in the next few days.

The problem centres on rule 6.1 of the code, which states that if a potential bidder acquires shares in its target "when an offer is reasonably in contemplation," any subsequent general offer should not be made on less favourable terms.

That is particularly relevant at present. If a would-be bidder bought shares in its target before the crash and had an offer in mind at the time, it might have to set its bid at the highest level it paid. Given the subsequent plunge in equities, it is unlikely to go ahead on those terms.

Equally, a company might feel unable to enter a bid situation if it had to do so at a level that looked prohibitively high given purchases in the target at pre-crash prices.

The issue of whether an offer was "reasonably in contemplation" when shares were bought does give potential bidders some leeway. The panel seems likely to offer further clarification and flexibility for companies in such situations.

N Ireland parcels out £390m for development

BY OUR BELFAST CORRESPONDENT

MR PETER VIGGERS, Northern Ireland Industry Minister, yesterday gave a breakdown of the province's £390m economic development budget for next year.

For industrial developments and related support services, £225m has been made available. Of that, £110m is earmarked for the Industrial Development Board and £23m for the Local Enterprise Unit.

Mr Viggers said the IDB provision would enable the board to concentrate on measures to strengthen and expand Northern Ireland's industrial base while the funds for the enterprise unit underlined the importance the Government placed on developing a vigorous small business sector.

Out of the £126m for employment and training, £10m has been allocated to a special scheme for the long-term unemployed.

Mr Viggers said the Government remained committed to supporting the efforts of Short Brothers to achieve profitability. The £10.6m set aside for Shorts would provide for the development of aerospace projects.

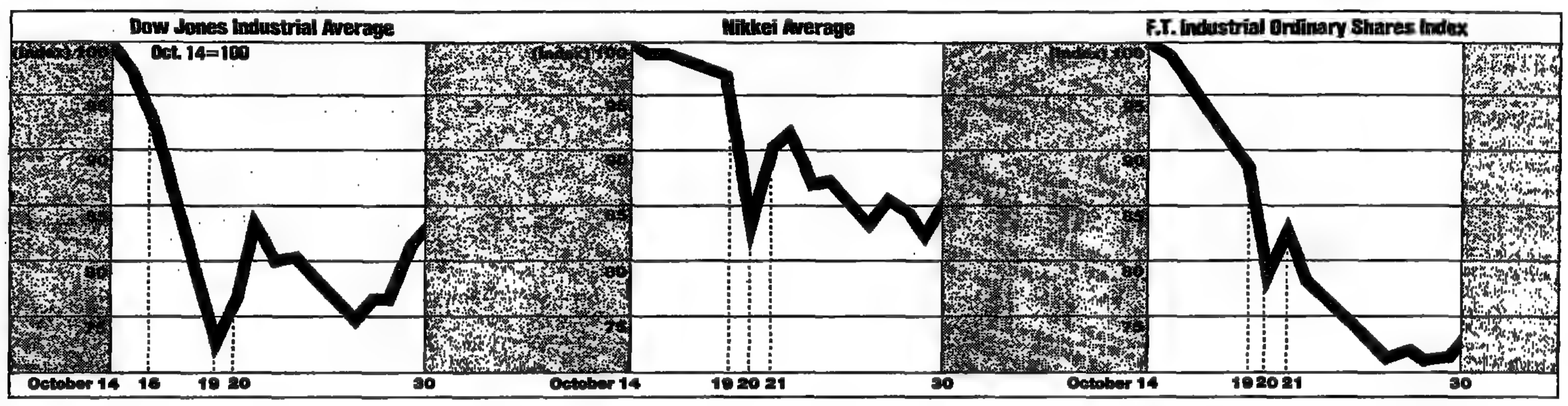
He said Harland and Wolff's continuing difficulty with its trading position required a significant increase in government support for 1988-89 and limited the resources available for development of other services in the province.

More than £40m has been allocated to the youth training programme to ensure that unemployed 16-year-old school leavers can be guaranteed a two-year training place.

TOKYO, OCTOBER 1987 WHAT HAPPENED AND WHY?

When the Crash Came, All Markets Were Not Created Equal

NEW YORK TOKYO LONDON

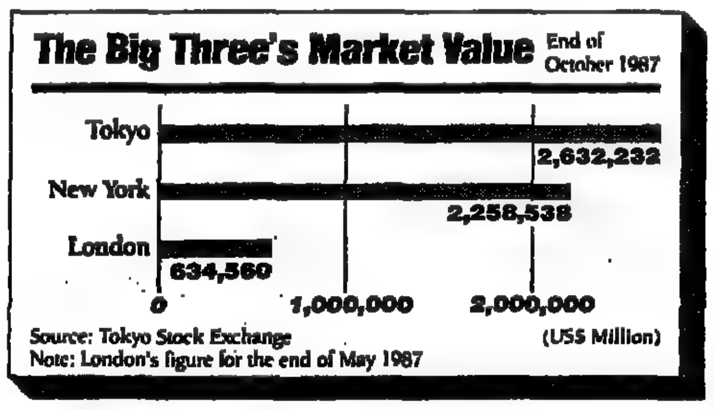


New York, London, Tokyo...

The world's three great stock markets are forging mutual links, making 24-hour global trading a financial reality. Events on October 19th show just how interrelated the three major international stock markets have become. Severe jolts were felt throughout the world's financial markets when investors, wary of the U.S.'s enormous trade and Treasury deficits and the weakening dollar, began a massive sell-off. On Black Monday, the New York Dow Jones industrial average declined a record 22.6% in one day. London recorded a similar decline, and the next day in Tokyo, overseas investors sold a staggering amount of stocks, driving the Nikkei Average down 14.9% and triggering the one day loss in price limit. During the week of the crash, the Dow Jones' and Financial Times' indexes fell below their year-high levels by 36.1% and 32.1% respectively.
However, in the same period, the farthest the Nikkei Average fell below its 1987 high was a relatively low 17.8%. And by the week's end, the Nikkei Average had rebounded a strong 4.2%, making the Tokyo market's resilience the focus of attention among international investors.

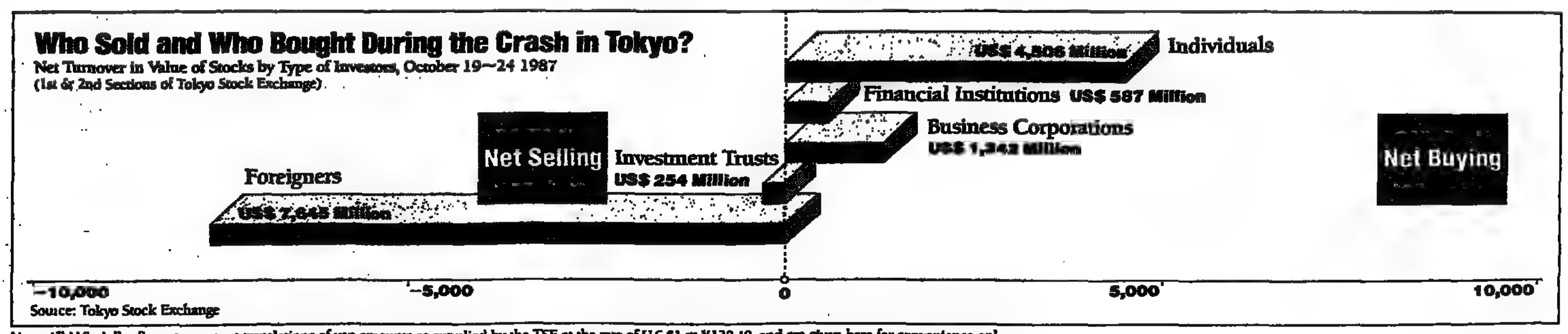
Japanese Individuals Offset Massive Selling By Foreigners During The Crash

The key players in cushioning the fall on the Tokyo market were Japanese individual investors. During the month of October, net purchases by individual investors came to approximately ¥530 billion, roughly triple the previously recorded high in September. Other Japanese investors who played a stabilizing role in the Tokyo market include financial institutions and corporations, accounting for ¥654.4 billion of net purchases, and investment trusts accounting for ¥90.6 billion. This purchasing trend partially offset the selling by overseas investors, which reached ¥1,998 billion in October.
As for the week of the crash (October 19th ~ 24th), overseas investors sold ¥1,058 billion worth of stocks on the Tokyo market. Japanese financial institutions were net purchasers of only ¥81 billion, but individual investors supported the market by purchasing some ¥623 billion worth of stocks, and non-financial institutions were net buyers by ¥185 billion. This buying by Japanese individual investors and corporations counterbalanced the selling by foreign investors in Tokyo. Confidence remained high, and stability returned quickly.



Strong Economy and Solid Savings' Structure

One reason for such strong support buying by Japanese investors is their faith in the fundamental strength of the Japanese economy. Japanese businesses, especially in the hi-tech industries, have overcome the oil shocks of the '70's and the yen appreciation of the '80's and have adapted to the new international business environment. According to the OECD, the combined effect of the fall in stock prices and the low dollar will only slightly affect 1988's real G.N.P., decreasing it by just 0.25%. In fact, the *Nihon Keizai Shimbun* predicts that for the fiscal year ending in March 1988, the average ordinary profit of all listed Japanese companies will increase by 29% over the previous year.
Another reason for investor support is the high rate of individual savings. In 1985, Japan's individual savings ratio reached 16.0%, demonstrating a strong propensity to save. In comparison, the West German rate was 11.4% while the U.S. rate was only 5.2%. Given the percentage of total savings invested in stocks, which is 8.5% lower than the U.S. rate of 22%, erosion of assets due to the crash was relatively slight, despite the strong growth in stock investments. Japanese financial institutions will also continue to use stock investments as part of their asset management programs.
The fundamental strength of Japan's economy has instilled confidence in both individual and institutional investors, which in turn has provided stability in otherwise volatile financial markets. Investor confidence and economic strength make Tokyo the safest market in volatile times.



Note: All U.S. dollar figures represent translations of yen amounts as supplied by the TSE at the rate of U.S.$1 = ¥138.40, and are given here for convenience only.

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Ridley approves £350m private housing scheme

BY ANDREW TAYLOR

PLANS FOR one of Britain's biggest private housing schemes have been approved by Mr Nicholas Ridley, Environment Secretary. It would create a £350m neighbourhood for up to 9,000 people in Harlow, Essex.

The scheme is designed to provide much needed housing along the border between rural Essex and Hertfordshire, after the expansion of Stansted as London's third airport.

The Brenthall Park development, between the eastern boundary of Harlow and the M11 motorway, went to a three-week public inquiry in January.

Epping Forest opposed the development at the inquiry while Essex County Council and Harlow District Council supported the proposals, by a consortium of three house builders, Countryside Properties, Croudace and Wates.

Controversy was fuelled by the fact that the 395-acre site upon which the development is planned was classed as "interim green belt."

That meant the land enjoyed the status of green belt pending a review of Harlow's long-term housing needs, Mr Alan Cherry, chairman of the developers' consortium, said yesterday.

Mr Ridley has given the go-ahead for the scheme after a report by the public inquiry inspector, who said: "The urgent need for housing to coincide with the expansion of Stansted Airport, and the need for housing to meet Harlow's local need in this instance outweigh the policy objections."

The inspector ruled that the development would not prejudice the definition of green belt boundaries and "would be well related to the town and would not seriously harm its wider landscape setting."

The planning approval provides for 3,500 homes, shopping facilities, a primary school, health centre, church, public house, community buildings and 70 acres of park and woodland.

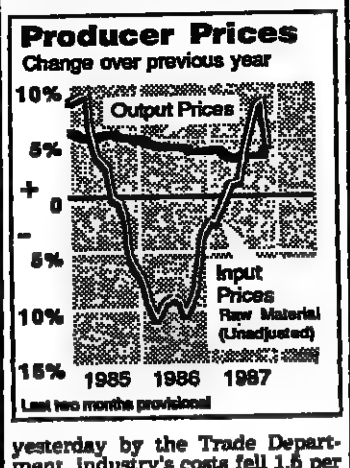
Industrial costs down 1.5% in November

By Simon Holberton

INDUSTRY'S COSTS continued to fall in November as the benefits of a strong pound led to the third successive monthly fall in the costs of imported materials and fuel.

At the same time, the rate of increase in factory-gate prices remained the same as in October.

According to provisional, seasonally adjusted figures released yesterday by the Trade Department, industry's costs fell 1.5 per cent last month.



Sterling appreciated by 5 per cent in dollar terms over the course of the month and that was reflected in falls in prices for petroleum products and other imported materials for manufacturing.

But a seasonal increase in electricity costs boosted industry's costs by a non-seasonally-adjusted 0.5 per cent over the month.

Over the year to the end of November, input prices increased provisionally by 3.2 per cent. That was the lowest rise since June and well down on August when input prices were up 9.1 per cent on the previous corresponding period.

The DTI's provisional index of input prices was 131.6 (1980=100) against a provisional 131 in October.

Factory gate costs rose a provisional 0.3 per cent during November and by 3.9 per cent a year ago and by 3.9 per cent this October.

Manufacturing prices, other than for food, drink and tobacco, rose 0.3 per cent in November and by 4.9 per cent over the year.

The DTI's index for output prices reached 153.2 (1980=100) against 152.8 in October.

UK and France sign Channel tunnel defence agreement

BY LYNTON McLAIN

THE UK AND French defence ministers signed an agreement covering security of the Channel tunnel and its use for defence purposes after talks in London yesterday.

Mr George Younger, Defence Secretary, said at a joint press conference with Mr Andre Giraud, his French counterpart, that the measures were confidential and details had still to be worked out.

The two ministers were asked by their governments to study arrangements for the security and defence of the fixed link. "The agreement will enable our staffs to make the necessary arrangements," Mr Younger said.

Mr Younger and Mr Giraud also discussed joint defence procurement and nuclear issues, including the possible future requirements of each country for air-launched cruise missiles with nuclear warheads. Mr Younger said this was a "very long-term, very major system and the UK's requirement would not arise until the end of the century."

Mr Younger insisted that there was nothing inconsistent between these possible requirements and the treaty signed last week between the US and the Soviet Union eliminating ground-launched intermediate and short-range nuclear missiles. Air-launched cruise missiles were not covered by the treaty and the UK and France had perceived a need to modernise their own nuclear weapons.

The British Government had no intention of finding a substitute for the cruise missiles that will be withdrawn under the terms of the intermediate nuclear forces treaty, he said. "I see nothing at all inconsistent in collaborating together to ensure we have the means of defending ourselves in the future. It is up to us to ensure that the defence equipment we have to defend ourselves is up to date and this is part of that process."

The ministers agreed to take studies on nuclear air-launched cruise missiles a stage further. "There will be discussions at staff level with a view of establishing firmly whether our requirements are similar and, if they are, if there would be merit in us collaborating," Mr Younger said.

Mr Giraud and Mr Younger also agreed to set up a joint committee of officials to oversee and develop processes for the possible joint procurement of defence equipment. France also agreed to publish bulletins of forthcoming defence contracts, as is current practice in the UK.

Wellcome cuts AIDS drug price by a fifth

By Peter Marsh

WELLCOME, the UK drugs company, yesterday reduced by a fifth the world-wide price of its anti-AIDS medication Retrovir, apparently partly due to criticism that it was likely to make excessive profits on the product.

As a result of the price cut, the cost to the UK National Health Service of a year's dose per patient will be reduced by about £1,000 to £4,000. Retrovir is the only drug available on prescription to treat AIDS.

Wellcome said it was reducing the price to pass on to customers savings made in manufacturing the drug, which first went on sale in April and is licensed for distribution in 37 countries. About 19,000 patients, most of them in the US, are receiving Retrovir, which acts by slowing down the course of the disease rather than curing it.

In recent months Wellcome has come under pressure from groups of AIDS sufferers and homosexual rights groups who claimed it was charging too much for Retrovir, bearing in mind its virtual monopoly on anti-AIDS products.

The company has justified its pricing policy on the grounds that the drug cost about $80m (£43.5m) to bring into production. Wellcome sold £16m worth of Retrovir in the year ending in August, with a negligible contribution to pre-tax profits.

Industry observers estimate that sales in the current year, taking into account the price change, will be between £100m to £200m, with a profit of £20m to £50m.

Mr David Grogan, an analyst at Barclays de Zoete Wedd, said he was surprised the price cut had come so soon.

3i more than doubles interim profit to £76m

By Our Financial Staff

INVESTORS in Industry Group (3i), the venture capital institution, has more than doubled its interim pre-tax profits from £32.2m to £75.9m.

The group said it had decided to make a £40.1m provision against stock market changes and economic uncertainty since September 30, its half-year end.

It estimates that equity market falls since Black Monday have cut its surplus of investment assets over costs from £827m to £427m. On March 31 the surplus was £679m.

Its new investments in the first half of the year were £288m, up from £199m in the same period last year.

3i is raising its interim dividend 60 per cent to 4p. The group is owned by Britain's clearing banks and the Bank of England.

SE to impose fines for late settlement

THE STOCK EXCHANGE is to impose fines of £1 per bargain per day starting from January 29, 1988 on any unsettled bargains arising from the period between February 2 and April 30 this year.

In addition, any outstanding bargains from Big Bang day, October 27, 1986, to the end of January will be subject to increased fines of £2 per bargain per day instead of the current £1 per day.

Dentists suggest tax on heavily sugared foods

FINANCIAL TIMES REPORTER

TAXES ON foods with a heavy sugar content would be a better way of raising money for dental services than the Government's proposed increases in charges, representatives of Britain's National Health Service dentists told Mr Tony Newton, Health Minister, yesterday.

A British Dental Association delegation pointed out to Mr Newton that the combined turnover of companies in the Biscuit, Cake, Chocolate and Confectionery Alliance was about £4.5bn.

Taxes on products with a heavy sugar content would be better than charging for initial dental examinations, or raising the dental treatment maximum from £115 to £140.

The delegation emphasised that dentists regarded free diagnosis as a fundamental part of the health service. They urged the Government to at least delay instituting the charge for initial examinations until April 1989 rather than next autumn.

Members of the delegation asked whether the Government planned to raise the maximum charge to 100 per cent, thereby taking dental services largely out of the NHS. They said Mr Newton responded that there were no such plans, although the scale of charges would be reviewed from time to time.

The meeting took place as a Gallup poll in yesterday's Daily Telegraph showed strong opposition to government proposals to introduce charges for initial eye and dental checks. Of of those interviewed, 89 per cent opposed charging for eye tests and 88 per cent were against the dental charges.

Foundries see 'jeopardy' in higher fuel costs

BY NICK GARNETT

PROFITS IN the British foundry industry will be seriously jeopardised if fuel costs, particularly those for electricity, rise substantially, according Mr John Ferguson, chairman of the Steel Castings Research and Trade Association.

He said the industry did not believe there was any need to raise tariffs for industrial users. The foundry and forgings industries are seeking reductions in rates to bring them closer to those charged to Continental competitors.

Steel producers say steep increases would wipe out most of the cheaper tariff benefits on bulk-supply contracts negotiated over the past few years.

● The flat rolled products steel stockholding business of Bridle and Cross, which had sales last year of £4m, is being merged with the Bore Steel Group, owned by Quadrex Securities.

North-east pits go into profit

BY MAURICE SAMUELSON

BRITISH COAL is making a profit in its Durham and Northumberland pits for the first time for 40 years, because of a sharp increase in productivity.

Last year the corporation's north-east area lost £9m and in the 1970s losses averaged £50m a year. However, since April the north-east area's eight collieries have made a real profit of £1.5m, boosting hopes of a £5m profit by March if present levels of output are sustained.

Mr David Archibald, north-east area director, said six collieries were each producing more than 1m tonnes a year. "The coalfield has been transformed into a streamlined, efficient business which is no longer a burden on the taxpayer."

The area employs 13,500 miners and 3,000 workshop and office staff. Immediately before the 1984-85 miners' strike, the area employed nearly 23,000 miners in 16 collieries but produced little more than the present 10m tonnes a year.

Ten years ago, 35,000 men in 31 collieries were producing 13m tonnes a year.

The area faces long-term problems in spite of the turnround. After the exhaustion of much of the onshore coal deposits, most of the area's coal is extracted from seams far out under the North Sea. By March, the closure of Ashington, which employs 350, will leave the area with only one inland colliery, Murton in County Durham.

British Coal wants to introduce longer shifts without increasing miners' total working hours to reduce the travelling time to and from the offshore faces. That requires not only a change in legislation but a softening of the National Union of Mineworkers' hostility to flexible working arrangements.

BT finalising foreign ventures

BY TERRY DODSWORTH

BRITISH TELECOM expects to sign at least one large-scale investment contract with an overseas telecommunications company in the first few months of next year, and has several other deals "on the boil."

Negotiations on a number of foreign joint venture agreements involving investments of £50m and over were disclosed yesterday by Mr John King, managing director of the UK group's overseas division.

He said that within a few years BT might be involved in investments amounting to hundreds of millions of pounds.

He said: "The scale of growth in telecommunications is going to be enormous in some overseas countries."

Mr King, who was in charge of BT's corporate strategy during its privatisation, virtually set up the overseas division from scratch.

In the past, BT's main activity overseas was in small-scale consulting in the Third World, but Mr King has now mapped out a strategy based on taking equity stakes in foreign telecommunications companies that provide special services to network operators.

"To deliver sizable returns from foreign businesses there is no doubt that you have to go for large contracts," he said.

Mr King refused to give details of projects currently under discussion. But he touched on a number of countries where BT had established contacts and was trying to interest the local telephone operating companies in new services.

They included India, where BT has set up a joint venture with a local company aimed at setting up a private telephone network for a group of industrial companies, and New Zealand, where the Government is considering extensive privatisation plans.

A further large project is under negotiation in China.

Cornwall to gain 250 jobs

PALL CORPORATION of the US is to invest £9m over the next five years in building a factory near Newquay, Cornwall. It will create 250 jobs.

The plant is Pall's first overseas investment in the basic manufacturing processes of membranes used in health care devices and filters.

Pall Europe already employs a total of 1,250 people at its three plants in Portsmouth and two factories in the West Country.

Viewing the evidence for three rival satellite TV standards

Raymond Snoddy on an important day of talks on Europe's private television launch

SENIOR executives from Astra, the 16-channel television satellite project based in Luxembourg, will hold an intensive day of presentations today in London with potential British programme suppliers to try to reach agreement on a transmission standard.

With less than nine months to go before Astra is due to be launched on an Ariane rocket, there are still supporters of three different technical standards.

Equipment manufacturers have told Societe Europeenne des Satellites, the company behind Astra, Europe's first completely private sector television satellite, that they need a final decision by the middle of next month if receiving equipment is to be in the shops in time.

Astra is to be the first of the medium-power satellites launched specifically as a television satellite. Although its main immediate market will be to feed cable television networks, the satellite is powerful enough to reach individual dish aerials on homes throughout most of Western Europe.

The three different standards are D2-MAC, D-MAC and PAL. In continental Europe there is widespread support for the first, used by both the French and West Germans for their direct broadcasting projects. Manufacturers such as Thomson, Philips, Salora-Luxor and ITT have formed the Euro MAC consortium to support it as Europe's satellite transmission standard.

In Britain there is strong support for D-MAC, the standard to be used by British Satellite Broadcasting, the UK direct broadcasting venture. In particular British Telecom, which has an agreement with Astra to market up to 11 of its 16 channels, would prefer it, partly because that is the choice of most of the potential UK operators.

Mr Michael Green, chairman of Carlton Communications, who is leading a five-company consortium looking at the possibility of launching a television channel on Astra, is believed to have been pushing for PAL, the existing television standard.

Carlton considers PAL, rather than a new more sophisticated standard, would help ensure that receiving equipment could be in the shops in large quantities at around £300. There could then be a quick growth in audience before the launch of BSB in September 1989.

D2-MAC or D-MAC equipment is likely to cost over £400, at least at first.

Today's talks will be particularly important in determining the outcome because up to nine of the 16 channels on Astra will be British-originated and with English as the primary language.

Mr Pierre Meyrat, director general of SES, emphasises that the decision must be made by the potential users of the satellite. Although Astra could be launched with PAL as a transmission standard, he believes that could close off opportunities to move gradually towards enhanced quality pictures and high-definition television.

"If you start with one standard it is practically impossible to change to another at a later date," he said. D2-MAC, he said, "satisfies all the needs we can really foresee at this moment."

The main difference between the two MAC standards is that D-MAC has eight sound channels compared with D2-MAC's four. That is an important difference for companies such as W.H.Smith which are committed to the internationalisation of its channels such as Screen Sport and therefore need the capacity to add language tracks.

Astra executives are also keen to have more than one source of the microchips needed for the receiving equipment. That backs up the argument for D2-MAC. The ITT West German subsidiary Intermetall, after delays and difficulties, is producing D2-MAC chips.

The other main source of chips for Astra equipment will be a joint venture which brings together Plessey, the UK electronics company, Mullard, the Philips component subsidiary, and Nordic, a Norwegian microchip design company.

Mr Bernard Rogers, chairman of the technical committee of the British Electrical and Allied Manufacturer's Association and a consultant to the Department of Trade and Industry, backs D-MAC because "it is future proof" and believes that in terms of its ability to carry sound and information D2-MAC has already used up most of its capacity.

"It would be extremely foolish, however, to play King Canute if Astra decides on D2-MAC," says Mr Rogers. He believes there would be no sense in choosing PAL.

Mr Steve Maine, head of Vision Services at British Telecom International, the department responsible for marketing the 11 channels, says: "I will not be party to forcing transmission standards on UK programmers."

He believes the satellite may have to go out in two different transmission standards.

Rescue offer expected for Highland Express

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE LIQUIDATORS of Highland Express, the Scottish-based airline that ceased trading on Friday, hope today to receive details of a rescue package which was being put together yesterday by Mr Randolph Fields, the US lawyer who founded the airline.

A statement yesterday from Mr Christopher Morris and Mr Robin Wilson of Touche Ross, the joint liquidators, said they would support "any realistic rescue attempt."

But they gave a warning that time was critical. Any rescue plan would have to be mounted within the next 48 hours "or the position would become even more difficult to resolve."

The rescue is understood to involve a £3.9m refinancing package, a consortium and new outside investors. The plan may also seek six months' "holiday" from lease payments due on the airline's one Boeing 747, with staff on half pay for two months.

Until any rescue plan became effective, said Mr Wilson, passengers who had booked and paid the airline could not get refunds. Highland Express employs about 200 people. Its chairman is Sir Ian MacGregor.

Claimants to be told of vacancies

BY IVOR OWEN

NEW CLAIMANTS for unemployment benefit in areas where there is a buoyant demand for labour are to be informed of occupations in which jobs are immediately available, **Mr Norman Fowler**, Employment Secretary, announced in the Commons last night.

The new procedures he intends to introduce – as soon as possible after February 1, 1988 – were immediately denounced from the Labour benches as a further "turning of the screw" against the unemployed.

Ms Clare Short, speaking from the Labour front bench, suggested that they should be opposed by the "triple alliance" – comprising representatives of leading trade unions, local authorities and voluntary bodies – which has already refused to co-operate with the Government's plans for rationalising training for the long-term unemployed.

She also joined in demands from the Labour and Tory backbenches for an investigation into allegations that some employers are conniving with low-paid workers who are continuing to draw unemployment benefit while in full-time employment.

Mr Richard Holt (C Langbaurgh) said a large number of people employed by a private contractor in the north-east of England had been drawing unemployment benefit and he urged the Government to deal with those directly and indirectly involved in such "cheating."

Citing a similar incident, **Mr Bob Clay** (Lab Sunderland N) said 20 workers who secured jobs after responding to an advertisement in a newspaper in his constituency had been told by their employer that they would be "sacked" unless they agreed to "fiddle" by continuing to draw unemployment benefit.

Ms Short said she had been approached by a number of people who had been taken by their employer in a car or other vehicle to "sign on".

She claimed that such incidents illustrated the "massive fiddle" taking place in which employers paying low wages relied on them being supplemented by the dole.

Mr John Cope, Minister of State for Employment, promised that an investigation would be made if relevant information was supplied to his department.

Responding to demands by Mr Clay for more effective policies to provide jobs in the north, he looked for an improvement in the situation there now that the national unemployment figures were "firmly established on a downward trend."

Mr Cope welcomed the growing awareness of the link between pay and jobs, but warned of the dangers if the present growth in earnings of about 7¾ per cent – almost double the rate of inflation – continued.

He rejected charges by Mr Clay – who called for the re-election of Mr Arthur Scargill as President of the NUM so as to further the campaign for a reduction in working hours and longer holidays – that the private sector had failed the northern region.

Tory poll tax rebels put at less than 30

By Peter Riddell, Political Editor

THE GOVERNMENT is confident that no more than 25 to 30 Tory backbench MPs may rebel on Thursday night at the end of the Commons second reading of the bill to replace domestic rates with the universal community charge or poll tax.

The revolt could never the less reduce the Government's majority to below 50, or half its nominal figure, thus marking the largest rebellion since the June general election and giving an encouraging signal to the bill's critics in the House of Lords.

There has been considerable interest at Westminster in the motion tabled for voting at the end of the second reading debate instructing the standing committee to consider a proposal to make the charge fairer by banding the rate in proportion to ability to pay. This is rejected by ministers as amounting to no more than a form of local income tax.

Nicholas Ridley: challenged over council support

The expectation among those involved on the government side is that the Speaker may not call this instruction because it can be covered by ordinary amendments to the bill. However, if it is called, a larger number of Tories – possibly more than 35 to 40 – might rebel than on the main second reading vote.

Ahead of the two-day debate starting tomorrow, there has been a daily barrage of criticism of the proposal.

Mr Simon Hughes, the Liberal environment spokesman, yesterday published a survey of 23 councils indicating sharply higher collection costs than for domestic rates. He challenged Mr. Nicholas Ridley, Environment Secretary, to name just one district authority which had made representations wholeheartedly endorsing the new tax.

Sir Philip Goodhart, Conservative MP for Beckenham and a critic of the proposal, last night said in his constituency that under the present proposals people in his poorest ward would face an increase of 50 per cent in their bills, while those in the most prosperous ward would find their bills were cut.

Peter Riddell examines the question of who will lead the new merged party

Alliance attention shifts to leadership

NOW THAT the joint Liberal/Social Democratic Party negotiating team is this afternoon at last due to ratify the constitution of the new Alliance party, attention will shift to the question of who will be the new leader.

This issue will not be finally resolved until next autumn, either before or after the first conference of the new party, depending on whether the view on timing of such an election of Mr David Steel or Mr Robert Maclennan, respectively, prevails.

The key is, of course, Mr Steel's decision on his future, promised for January. He is genuinely undecided, his view apparently waivering from day to day. By next spring he will have been leader for 12 years, through several ups and downs, and he has recently made no secret of his impatience with the long drawn-out negotiations and his more tiresome colleagues.

Hence, there are obvious attractions for Mr. Steel in returning to the backbenches since, at 49, he has plenty of time to develop his other interests.

David Steel: still waivering from day to day

Yet, he also feels that the new party has a real opportunity of winning support when the Tories become unpopular, given what he sees as the continuing unresolved problems for Labour of modernising its policies and appeal. So why should he give up now if there is a chance of fulfilling his long-term hopes?

However, some prominent Liberal activists feel that Mr Steel lacks the freshness necessary to lead and inspire a new party. There should be a full new start.

Mr Robert Maclennan has also developed leadership ambitions, having proved to be tougher and more decisive than generally expected when he put himself forward in August. Yet some Social Democrats believe that he should not delude himself. The talents required to handle the merger negotiations and act as "honest broker" are not those of a leader of a new party. But Mr Maclennan has his supporters and a loyal ally in fellow MP, Mr Charles Kennedy.

The obvious Liberal contenders if Mr Steel stands down are Mr Paddy Ashdown and Mr Alan Beith. Mr Ashdown is the favourite, a charismatic figure popular in the past with the Liberal rank-and-file, though for that reason viewed with caution by many Social Democrats. Many of Mr Ashdown's parliamentary colleagues question his judgment and argue that he is inconsistent on, for example, defence questions.

By contrast no one doubts Mr Beith's soundness and solidity. But he is widely regarded as a dull performer – despite the admiration of Mr Steel, among others, for his abilities, notably as a negotiator.

The odds are that Mr Ashdown could probably beat any of his rivals – with Liberals probably outnumbering Social Democrats by more than 2 to 1. But his probable success might deter a number of Social Democrats from joining the new party and push them into the open arms of Dr David Owen and his continuing SDP group.

Hence, Mr Steel is being strongly urged to stand as leader of the new Alliance party by a number of Liberals and Social Democrats who fear that any other candidate might be divisive and would give a propaganda advantage to Dr Owen.

Owenites gain in name fight

By Michael Cassell, Political Correspondent

THE OWENITE faction of the Social Democratic Party last night won an important step in its fight to lay claim to the SDP title after the planned launch of the new Alliance party.

At a meeting of the SDP's national committee, called to discuss transitional arrangements during the merger period, the pro and anti-merger factions pledged themselves to end the recent spate of damaging infighting and to enable the creation of a new party to take place with the "maximum amount of goodwill."

At yesterday's meeting of the SDP national committee, Mr John Cartwright, the party vice-president and a leading supporter of Dr David Owen, the former SDP leader, won majority support for a resolution rejecting a move by the pro-merger leadership to retain the SDP title until after the next general election.

The pro-merger camp claims that it wants to retain the title in order to ensure that donations to the party continue to attract inheritance tax relief. In order to do so, a political party must have at least two MPs elected at a general election.

But at yesterday's meeting, Mr Cartwright won support, by 17 votes to 12, for a resolution which rejected the legal provision for the continuation of the SDP as a residual body until after the next election, "believing it to be out of keeping with the respect for the obvious wish of many SDP members to continue to call themselves Social Democrats and to operate within a constitution similar to the existing constitution of the SDP."

The resolution also said that no purpose would be served by "trying to pretend that those who will continue to call themselves Social Democrat MPs, Social Democrat peers and Social Democrat councillors have no rights and are not worthy of respect."

The national committee decided that, after the special January conference called to decide whether or not to put the merger package to a ballot, to establish a small group from pro- and anti-merger factions to oversee the transitional arrangements for the merger.

Mr Cartwright also attempted to re-open the issue of the distribution of SDP subscriptions.

He said that up to 20,000 memberships were up for renewal in early 1988 and that members should be able to decide whether residual funds should go to the new party or the Owenites.

Claims of Treasury profit from RPI benefits mistake denied

BY TOM LYNCH

THE TREASURY will not profit from the holding back of benefits arising from the miscalculation of the retail price index over 21 months, **Mr Norman Fowler**, the Employment Secretary, told the Commons yesterday.

However, he made it clear that not all claimants whose index-linked benefits were less than they would have been if the correct RPI figure had been used would be entitled to repayments.

He was repeatedly challenged by Labour MPs over how he could ensure no gain to the Exchequer when not all "losers" would be reimbursed.

Mr Fowler, answering an emergency question from **Mr Michael Meacher**, shadow Employment Secretary, said state pensioners and the severely disabled would be compensated for loss of benefit, but refused to comment further in advance of a statement to be made later this week by Mr Nicholas Scott, Social Security Minister.

However, he said the Government would draw a distinction between those totally dependent on benefits since the error began to take effect last February and those who had moved in and out of benefit.

Mr Meacher argued that tax allowances and index-linked savings contracts had also been undercalculated, and told Mr Fowler he had a statutory obligation to recompense all those on index-related benefits, those with National Savings and occupational pensioners.

"There are no lengths to which this Government will not go to claw back money from those whom it alleges have been overpaid. You must now be even-handed in repaying all you have short-changed."

Mr Fowler told MPs a mistake in 1985 in one of the computer programmes for calculating the monthly RPI had led to an average 0.1 percentage point understatement of the year-on-year inflation rate in most of the months between February 1986 and October 1987.

The effect would be an underpayment of £7.80 over two financial years for index-linked state pensions. The error had come to light during a routine check, and had been rectified. The head of the government statistical service had been asked to review the calculation system.

He rejected a suggestion by Mr Meacher that cuts in the statistical service were to blame for the mistake, and drew Conservative laughter by suggesting that the computer had been primed to handle "socialist inflation" where the figures before the decimal point were so large that those after the point could be overlooked.

House role of Scrooge refused

THE LABOUR Party continued its heart-rending performance of A Christmas Carol at Westminster yesterday with much wringing of hands at the state of Thatcherite Britain as we approach the festive season.

The Labour version depicted a country groaning under a return to Victorian values. An uncaring Government had turned its back on old-age pensioners, patients were being turned away from overcrowded hospitals and our cultural heritage was withering as the arts were starved of funds.

But Norman Fowler, Employment Secretary, resolutely refused to be cast in the role of Scrooge when he answered a Labour private notice question on the mistake in calculating the retail price index and the effect this would have on pensioners and others on benefit.

Always a quick thinker when he is in a tight corner, Mr Fowler came out with the startling revelation that the mistake was all the fault of a computer programming error which was an inheritance from those years of wicked Socialist government when inflation was raging at over 20 per cent. And we all remembered how the pensioners suffered in those far off dark ages didn't we?

"No-one stole more from the pensioners than the last Labour Government and the honourable gentlemen knows it," he roared at Michael Meacher, Labour's employment spokesman.

In the face of these tactics Mr Meacher found it difficult to draw tears from the audience.

"There are no lengths to which this Government will not go to claw back money from those whom it alleges have been overpaid," he intoned.

Mr Fowler sighed with affectionate indulgence. The House, he said, was used to Mr Meacher "and the way he usually manages to blow any opportunity given to him."

The same acrimonious note predominated during energy questions. Labour's Max Madden complained of the "old and the cold" facing higher electricity tariffs so that "big city slickers" could make a profit when the electricity industry was privatised.

Paradoxically the same point was made much more elegantly by Hugh Dykes, one of the unreconstructed "wets" on the Tory benches. Perhaps, he suggested, there was a subtle point in the Government's policy that had so far eluded him. Electricity tariffs were going up so that the rate of return could be increased prior to privatisation. But once privatised, increased competition would mean that charges would come down again. Did this really make sense?

Arts Minister Richard Luce also had his turn in the pillory with Labour criticism of the levels of arts funding. However, Mr Luce was at least able to assure us that all was sweetness and harmony at recent meetings of EC cultural ministers.

Naturally, Labour's Tony Banks immediately suggested a scheme that would put this unity at risk. Not only did he want Britain to return the Elgin Marbles to Greece, he also proposed a gigantic swap arrangement between the member states so that all national art treasures could be returned to the original owner countries. Optimistically, he referred to this as "a civilised exchange."

Acidly Mr Luce observed that if such a scheme was ever put into operation the shipping lanes of the world were going to be extremely busy for years to come.

JOHN HUNT

Shield for bridge plan faces block

By Our Political Editor

THE GOVERNMENT is prepared, if necessary, to override any proposal by the cross-party select committee on the Dartford-Thurrock Crossing Bill that the planned bridge over the Thames should have a special wind-shield.

The expectation at Westminster is that the committee will today vote by a five to two majority for such a wind-shield, which, it is suggested, would add £15m to the cost of the project and add between one and three years to construction time.

Ministers will then take advice as to whether the proposal is justified. Only a few bridges throughout the world apparently have such a shield.

The present view is that such an addition is unnecessary and might jeopardise the commercial justification for the whole project.

The Government would therefore be prepared to use its majority to delete such a recommendation from the bill, probably at its report stage on the floor of the Commons.

The committee is expected to amend the proposal because of a rebellion by two Tory MPs.

Power grid to remain intact

By Tom Lynch

A CATEGORICAL assurance that the national electricity grid will not be broken up when the industry is privatised was given by **Mr Cecil Parkinson**, the Energy Secretary, in the Commons yesterday.

"Nobody in the Electricity Council, area boards, the Central Electricity Generating Board or the Government wants to see the grid broken up," he told MPs at question time. "There is and has been no question at any time of the break-up of the national grid."

Mr Parkinson also confirmed that dicussions were continuing on the question of whether the generation and supply of electricity should be separated or, as advocated by the CEGB, sold as one unit.

Advertising costs of sell-off announced

ADVERTISING COSTS in the privatisation of British Gas in November 1986 were £24.6m out of a total marketing cost of £40m, the Public Accounts Committee was told yesterday.

The committee also heard that £6.4m was spent by the Government and British Airways in advertising the airline's flotation in January out of total marketing costs of £10.2m.

Howe dismisses 'rift' with Thatcher

BY WILLIAM DAWKINS IN BRUSSELS

SIR GEOFFREY Howe, Foreign Secretary, yesterday dismissed suggestions that he was distancing himself from the Prime Minister, but admitted to small differences of opinion, notably over membership of the European Monetary System.

Speaking in Brussels, Sir Geoffrey denied that a letter to his constituency chairman, published on Sunday, was intended as personal criticism of Mrs Margaret Thatcher.

He said it "was simply a presentation of the policies that the Government will be following in the next decade. I would say it is entirely in harmony with the views of the Prime Minister and her colleagues."

However, Sir Geoffrey admitted "that does not mean that there is unanimity on each phrase of each clause."

He highlighted British membership of the exchange rate mechanism (ERM) of the EMS, something which he has advocated with the support of Mr Nigel Lawson, the Chancellor, but on which Mrs Thatcher has been notably cautious.

But Sir Geoffrey insisted: "It is solely a question of when we become full members of the ERM and we will do so, in a phrase on which we are all agreed when the time is right."

James Buxton discovers that Scotland's thriving electronics industry still has some way to go

Silicon Glen strives to meet the foreigners' demands

"WE ARE achieving critical mass," said Mr Ian Lang, Industry Minister at the Scottish Office, a trifle cautiously in a recent interview. He was referring to a spate of good news about Silicon Glen, the catchphrase for the Scottish electronics industry.

Over the past few months Ford has announced that it is setting up a plant at Dundee to make electronic components for its vehicles, employing 400 people; and Compaq, the US personal computer maker, has brought forward by a year the doubling of capacity at its plant near Glasgow - which does not even open until next month.

Two other US companies, Avex and Techdyne, have recently announced plans to set up components plants in Scotland. NEC, the Japanese semiconductor maker, is now manufacturing its own megabit chips - the latest generation of memory chips - at Livingston, while Motorola, its US rival, is making East Kilbride its world centre for the manufacture of such products.

JVC, the Japanese electronics company, announced yesterday that it had chosen East Kilbride as the site for a plant to build a range of colour television sets and, at a later stage, compact disc machines and computer display monitors.

The only jarring note amid these and other upbeat announcements is that Integrated Power Circuits, a start-up company in semiconductors founded by US executives with British venture capital, went into receivership last month when its lead investor, Investors in Industry (3i), withdrew its backing.

The company and 150 of its employees have been saved, however, by the entry of the US components company Seagate Technology, which has taken a majority stake.

Even so, Mr Lang was treading on dangerous ground when he used the term "critical mass" in connection with Silicon Glen.

Critical mass used to be a favourite phrase of the Scottish Development Agency: it implied that after a sufficient number of electronics companies had been attracted to Scotland, growth in the industry would become self-perpetuating.

That implied that other original equipment manufacturers would follow them almost automatically, local and foreign-owned companies would spring up to supply them with components, and teams of executives would spin off from the leading companies to set up their own operations. Silicon Glen would come to resemble Silicon Valley in California.

Unfortunately, only some parts of that dream are coming true, and the SDA now uses the term "critical mass" sparingly. Ministers may be allowed a little more licence.

Professor Neil Hood, who runs Locate in Scotland, the joint venture between the SDA and the Scottish Office that attracts inward investors to Scotland, says that "at one level" Scotland has reached "a self-perpetuating position" in electronics.

"The scale of what we have here and the size of the market for subcontractors means that any manufacturer who wants to be in Europe has to think seriously about coming here.

But, he adds: "Competition for inward investment is so severe that you could not take your hands off" and expect companies to come to Scotland anyway.

If the sole purpose of Silicon Glen was to persuade overseas manufacturers to locate their European plants in Scotland, it has been a success and is doing particularly well at the moment. "A lot of companies that come to see us are genuinely amazed by what we've got here," says Prof Hood.

Disk drive production at Rodime's factory in Glenrothes, Fife.

International Business Machines (alone employing nearly 3,000 people), Hewlett Packard, Digital Equipment, Honeywell, Wang and now Compaq lead the information technology equipment makers. In the semiconductor field Scotland has, in addition to NEC and Motorola, companies such as National Semiconductor, General Instruments and Burr Brown.

No other development area of Europe has such a concentration of leading electronics manufacturers and, not surprisingly, other inward investment agencies are studying the methods that Locate in Scotland uses to attract its prey. Foreign-owned companies account for about 40 per cent of total employment in the electronics industry, which in 1985 was put at around 44,000 - a figure that shows a reasonable, although not spectacular, increase on the 1976 figure of 36,000.

More than a quarter of Scottish electronics employment is accounted for by one company, the British concern Ferranti, which operates mainly in defence electronics and alone employs 12,000 people. The industry's output doubled in value between 1979 and 1985, and it was mainly thanks to electronics that Scotland's total manufacturing output regained its 1979 level by 1985.

Overseas electronics companies in Scotland generally pronounce themselves satisfied with the quality and productivity of their (nearly always non-unionised) workforce. They play down the importance of grants and regional aid as reasons for being in Scotland, pointing out that all development areas in the European Community offer assistance, with the Scottish financial package rarely being the best.

The foreign-owned companies, even though some employ no foreigners, are branch plants, their continued existence usually subject to decisions made at head offices in the US or Japan. Few do basic research and development in Scotland, although many - such as IBM - develop their own manufacturing processes at their Scottish plants.

Since few carry out marketing operations from Scotland, there is little scope for teams of executives to spin off into the private sector.

An important exception is Rodime, founded by a group of former Burroughs executives, which makes hard disk drives at its headquarters at Glenrothes in Fife, and has plants in Florida and Singapore. After several years of rapid growth, Rodime lost £13.4m in the year to September 30 on sales of £72m, partly as a result of production problems and sales falling short of expectations. The company returned narrowly to profit in the last quarter.

On the whole, the hope that the multinationals would trigger the growth of a strong indigenous electronics industry has not been fulfilled. A 1986 SDA survey showed that although 41 per cent of electronics companies operating in Scotland were Scottish-based, they employed only about 3,000 people between them. Furthermore, Scottish-based companies accounted for only 12 per cent of all the components used in the electronics industry in Scotland.

Most multinationals leave it to their branch plants to decide where they purchase their components. A recent academic survey showed that they did not buy in large quantities from Scottish-based companies because Scottish companies did not supply what they required, or because they were not considered big enough to meet their needs, or because they failed to match the multinationals' requirements on performance.

IBM has publicly lamented that Scottish-based suppliers often fall short of its quality and reliability criteria, and the US company has not found local suppliers of even relatively simple items such as plastic mouldings. Local companies respond that the main manufacturers in Scotland all have different requirements and it is sometimes uneconomic to gear up to meet them.

Mr Lang admits that "the opportunities that we are bringing to indigenous companies have not been fully taken up by them." Until they do take advantage of these opportunities, Silicon Glen cannot claim to be fulfilling all the hopes that have been placed in it.

Volatile scrap market triggers price increases in some steels

BY NICK GARNETT

THE PRICE of scrap, an important feedstock for steelmaking, has been more volatile in the past six months than for some years.

Between April and November, scrap prices rose by about 40 per cent before falling back in past weeks by the equivalent of about a quarter of that rise.

United Engineering Steels, the largest private-sector steel company and the biggest user of scrap among UK steelmakers, said last week that price volatility was an added problem in managing its business.

The rise in prices will lead steelmakers that use scrap – including UES and British Steel Corporation – to surcharge their customers by an estimated £5 a tonne on some semi-finished steel and hot-rolled and narrow-strip steel.

The scrap surcharge is triggered by the price index carried by the Metal Bulletin metals magazine.

The price of so-called number one old steel scrap rose from £34 a tonne in April to £48 at the beginning of last month, before falling back to about £43. That is still well below peak prices scrap was commanding at the beginning of 1985, when old steel scrap was selling at £65 a tonne.

BSC says the scrap price is not the reason for price increases it announced last month on certain types of steel. Semi-finished steel, reversing mill plate and wide plate, tubes for pressure applications and stainless steel flats are being increased by between 4 and 7 per cent in January.

"These increases do not reflect any specific cost increase, but increases in all our costs," the corporation said. "These are prices we can get for the products. Our prices are still competitive with those of Continental producers."

Demand for steel in the UK is now healthier than for some years. Total weekly output of UK-made steel was running at 370,000 tonnes in November, the highest weekly rate since 1980.

BSC is offering deliveries of 12 to 14 weeks for some of its products.

The scrap price has always been prone to violent movements. Factors involved in this year's steep rise included the artificially depressed price at the beginning of the year, currency movements and heavy demand on the US scrap industry because of the speed at which US steelmaking is recovering from the troubles of the mid-1980s.

That demand has fed into the world market for scrap, which is a globally traded commodity. The UK has the world's second largest scrap surplus after the US. The fall in the scrap price during the past month has been caused partly by greater accessibility of scrap in the US.

Solicitors must stay independent

By Eric Short

THE LAW SOCIETY yesterday announced that solicitors operating in the new financial services environment would not be allowed to represent one life company or unit trust group in dealing with clients.

The stipulation that solicitors must only be independent intermediaries is contained in the society's new rules as a Recognised Professional Body under the 1986 Financial Services Act.

Its application to be an RPB was submitted last week to the Securities and Investments Board, the body administering the act.

Under the act, all persons or firms giving investment advice must be authorised to do so. Permission can be obtained either directly from the SIB or from one of the Self Regulating Organisations under SIB or from a Recognised Professional Body.

The Law Society is adopting the stance that firms, not individual solicitors, must be authorised and that firms whose income from investment work exceeds 20 per cent of the total fee income must apply for RPB status through another route.

The cost to the society of running the operation is put at £1.5m in the first year. Solicitors will be charged £125 for each partner.

Rothschild stamp duty claim rejected

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A CLAIM by J. Rothschild Holdings, the financial services group, that the Inland Revenue abused its powers and acted unfairly in requiring Rothschild to pay £1.49m stamp duty on a merger transaction has failed in the High Court.

Mr Justice Vinelott yesterday rejected Rothschild's contention that the transaction should have been exempt from duty under an allegedly established Revenue practice.

There was, the judge said, no evidence that the alleged practice ever existed.

He dismissed with costs Rothschild's application for a judicial review of the duty assessment with a view to its being quashed.

The dispute arose from the agreed merger in 1983 of The Charterhouse Group and RIT and Northern. J. Rothschild Holdings, under its former name Charterhouse J. Rothschild, was formed to acquire the shares of the two companies on a share-exchange basis.

In January 1985, when the Inland Revenue received a form recording share allotments by Rothschild, it granted exemption in respect of one allotment but assessed £1.49m stamp duty on another made on a different date.

Rothschild contended that the Revenue's practice was to exempt from duty allotments recorded on the same form, even if made on different dates, if the form recorded allotments made in exchange for more than 75 per cent of the issued shares of the company being acquired.

The company also asserted that its solicitor had received a telephone assurance from the Revenue's stamp office that that was its practice.

The Revenue denied the existence of the practice and that any of its authorised staff had given the assurance.

Mr Justice Vinelott said Rothschild had not come anywhere near establishing that the practice had existed at the time.

He was also satisfied that Rothschild's solicitor had not been given an assurance by any authorised person.

Heathrow noise protest move

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ENVIRONMENTAL groups near Heathrow Airport, London, are petitioning the European Parliament tomorrow for removal of the UK ban on their taking legal action against aircraft noise.

The UK Civil Aviation Acts bar residents round airports from suing airlines for noise nuisance damages.

The campaigners are amalgamating under the Federation of Heathrow Anti-Noise Groups. The petition is supported by 3,500 Heathrow residents, local authorities and other organisations.

They contend that the civil airline industry in the UK has enjoyed a privileged position for more than 60 years since the original 1920 Civil Aviation Act removed the public's right to sue airlines for nuisance.

The environmentalists argue: "If people are annoyed by model aircraft they have the right to take action in our courts, but not if they are affected by noise from the 325,000 jet aircraft movements a year at Heathrow".

Jetstream sales at 200

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SALES OF the British Aerospace Jetstream 31 twin-turboprop airliner have reached 200, with a re-order for six more aircraft from the Canadian airline, Ontario Express.

The airline, which already has six in service, will receive three more by the end of this year and three in the first half of 1988.

The 200 mark in sales has been reached in five years since deliveries began in 1982 and production at BAe's Prestwick, Scotland, factory has been raised to four aircraft a month. There are options on another 70 aircraft.

APPOINTMENTS

To oversee sale of BR Engineering

BRITISH RAIL director of mechanical and electrical engineering **Mr Mike Casey** has become project director (BREL). He will be responsible for overseeing the offer for sale of British Rail Engineering. His successor is **Mr David Blake**, who was *director, maintenance policy and* implementation at board headquarters and chief executive of British Rail Maintenance.

★

Mr Brian L. Bailey has been appointed chairman of BAYGILL MACHINE TOOLS. **Mrs Dorothy Bailey** becomes a director. This follows the takeover of Oerlikon Machines by Brian Bailey Consultants.

★

Mr Steve Appleyard has been promoted to director and general manager of MTE. He was export manager.

★

Mrs Rachel Semlyen has been appointed marketing director of ROLAWN.

★

Mr Neville Raschid has been appointed financial controller of AMC EXHIBITION (UK) from January 4.

★

Mr Derek Kingsbury, chairman and group chief executive of the Fairey Group, has been elected chairman of the council of the DEFENCE MANUFACTURERS ASSOCIATION.

★

Mr Douglas Percival has joined JOHN J. LEES, Coatbridge, as a financial controller. He was a senior management consultant with Arthur Young & CO.

★

Mr C.M.Stuart has been appointed group chief executive of METAL BOX from January 1. Dr N.B. Smith continues as executive chairman.

Mr Gerry Vasey has been appointed general manager/director designate of LAKERS PROCESS ENGINEERING, Sittingbourne, a member of the Kyle Stewart construction group. This is in preparation for the retirement **Mr George Baker** next year. Mr Vasey joins from Hydrogen Supplies Engineering.

★

Mr David A. Scott, currently chairman of Anistics in London has been appointed managing vice president of ANISTICS, New York, from January 1. Anistics is a subsidiary of Alexander & Alexander Services.

★

Mr Richard Froggatt has been appointed managing director of ST. MODWEN DEVELOPMENTS, wholly-owned subsidiary of St Modwen Properties. He formerly ran New Walk Properties, Leicester.

★

Mr Gordon Sandeman has been appointed sales director of BRITISH ALCAN BUILDING PRODUCTS succeeding **Mr Bob Tannahill** who has been promoted to managing director of British Alcan Stockholders (Scotland), Glasgow. Mr Sandeman returns from Alcan Sharjah when he hands over to his successor **Mr Phil Ellerby** in the new year.

Mr Mark Jarrad, vice president, Parker Hannifin Corporation

Mr Mark J.D. Jarrad has been appointed vice president finance and administration of PARKER HANNIFIN's international sector, based in London. He was president of the intercontinental west sector, based in Cleveland, Ohio.

★

Mr Gilbert Black has been appointed non-executive chairman of BROWN & TAWSE GROUP from January 1. He was with Lex Group.

★

Mr Alan Lazarus, Alan Lazarus (Associates), has been elected president of the INTERNATIONAL STEEL TRADE ASSOCIATION. **Mr Gordon Sinclair**, Bore Steel, has been elected chairman.

★

CHLOR-CHEM, Widnes, a joint venture between Schering Industrial Products and the Olin Corporation, has appointed **Mr Ian McManus** and **Mr Bob Minshull** to the board from January 1.

★

MULTI CONSTRUCTION (UK) GROUP has appointed **Mr David A. Light** as group financial director. He was with S.B.M. Services Inc., as a financial and administration manager.

CONTRACTS

Canadian power link-up

GEC has been awarded a £9m contract by Alberta Power to design, supply and commission a 150MW high voltage direct current convertor station at McNeill, Alberta. The station will provide an asynchronons tie between Alberta Power and Saskatchewan Power Corporation. It will be the first interconnection between the Eastern and Western Canadian power networks and will provide the facility to interchange both standby power and economy energy.

GEC Transmission and Distribution Projects of Stafford, England through GEC Canada will supply the convertor valves and controls and will be responsible for the overall design and commissioning of the convertor station. In 1986 GEC completed on schedule the convertor station at Sellindge, the English terminal of the 2000 MW HVDC submarine link with France.

The contract with Alberta Power is the first time the company's latest water-cooled convertor valve employing 100 mm thyristors will be used. GEC's electronic controls will be applied to regulate the power interchange and the ac voltages in the two power systems. The scheduled date for completion is November 1989.

Leeds office development

In a joint development with **REVIVAL PROPERTIES** of Leeds, **RUSH & TOMPKINS** is constructing a 35,000 sq ft office development at Wellington House, with a building contract value of £2.3m. The contract involves the demolition of the existing five-storey building at 40/50 Wellington Street, Leeds with the retention of its two listed facades and the construction of 35,000 sq ft of office accommodation with basement car parking. The two listed facades are to be restored and cleaned and an extensive area of new stone work is to be reconstructed to blend with the York stone. The site is situated in the heart of the City, restricting access and unloading of materials. Letting agents for the development, which will be ready for occupation by next December, are Donaldsons and Weatherall Hollis & Gale.

Refurbishing Deal council houses

BARWICKS, the Dover-based contractor, has been awarded contracts worth £2.8m. The largest, worth £987,000, is for the refurbishment of houses belonging to Dover District Council at Stockdale Gardens, Deal. Also in Deal is an extension to the Methodist School for Kent County Council at £332,000. In Sandwich, refurbishment works at the secondary school will be carried out for the County Council at a cost of £575,000.

New buildings for the Department of the Environment at Duke of Yorks School total £206,000 and workshops for Dover District Council at Tower Hamlets worth £422,000 complete local awards. Barwicks have also been contracted to build a £300,000 housing development at Cranbrook for Downland Housing.

Upgrading British Rail stations

A range of contracts, totalling £4.5m, has been awarded to **SDC BUILDERS**, *Bedford*.

Four, worth more than £1.2m, are for refurbishment and maintenance at British Rail stations including new marble booking halls at Kings Cross and Potters Bar.

A £1m factory design and build package, following earlier work on an industrial park at Uxbridge, comes from Grand Union Developments. Two pharmaceutical companies, Glaxo, at Ware, and Smith, Kline and French at Welwyn Garden, are expanding and providing SDC with new-build and refurbishment work worth nearly £500,000.

The first stage of the Ford Motor Company's new electronics centre at Dunton is costing more than £150,000, while at Milton Ernest, near Bedford, SDC has a £600,000 contract to refurbish the Queen's Head for Charles Wells Brewery. The work includes conversion of a barn into bedrooms, and will be completed next May.

Blue Lamp Properties, Cambridge, is spending nearly £1m on three office units for lease on completion next autumn.

IN BRIEF

SERVISAIR has been awarded a £4m contract by Britannia Airways for the next summer season. It will involve some 6,000 aircraft turnrounds at Gatwick in the 12 months commencing spring 1988.

★

A three-year contract worth in the region of £1m has been placed with **ASSOCIATED HEAT SERVICES** by the Property Services Agency, north eastern region. The contract will involve maintenance of all electrical and mechanical building services for 106 locations in *Sheffield, Doncaster, Clowne,* Worksop, Chesterfield and Bakewell. Among the buildings to be maintained are the Manpower Services Commission head office in Sheffield plus other DHSS and Inland Revenue offices.

★

Under a contract worth around £700,000, **THORN EMI ELECTRONICS** is to update the Cymbeline weapon locating radars in service with the Royal New Zealand Artillery. As well as a complete overhaul, the programme will involve fitting clutter supppression units and other improvements to bring the radar's performance in line with current specifications. Completion is scheduled for mid 1988.

★

Four orders worth £5.5m have been won by **SEDDON ATKINSON** from fleet operators. Courage Breweries has ordered 80 16-ton 2-11 trucks with lowered "brewery" suspension for multi-drop distribution. All have 173bhp (128kW) Perkins Phaser 180 Ti engines. Royal Mail Parcels, Freightliners and Shell have ordered 133 4 X 2 3-11 tractors with both 241 bhp (180 kW) and 278 bhp (208kW) Cummins 10 litre engines. Freightliners' order also includes two twin-steer 3-11s and four twin-steer 4-11 units, also Cummins powered.

★

AUDITEL SYSTEMS, Chesham, has won an order worth £100,000 for the design and installation of a computer controlled microphone and sound reinforcement system, initially for up to 150 delegate stations (with a future expansion to 200) for the Connecticut State Legislature House of Representatives. The system, *built into the existing furniture* of the chamber, combines microphone control, electronic voting, and delegate identification by card reader.

FT LAW REPORTS

Stud farm must pay rates

WHITSBURY FARM AND STUD LTD v HEMENS (VALUATION OFFICER)

House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Griffiths, Lord Oliver of Aylmerton and Lord Goff of Chieveley): December 12 1987

STUD BUILDINGS are not subject to derating as agricultural buildings because, for rating purposes, racehorses are not livestock and, though they may graze on agricultural land, the buildings in which they are bred and reared are not used solely in connection with agricultural operations.

The House of Lords so held when dismissing an appeal by *Whitsbury Farm and Stud Ltd* from a Court of Appeal decision that it was liable to pay rates on stud buildings.

Section 26 of the General Rate Act 1967 provides: "(1) No agricultural land or agricultural buildings shall be liable to be rated ... (3) ... 'agricultural land' – (a) means any land used as ... pasture ground ... plantation or a wood ... cottage gardens ... nursery grounds ... (4) ... 'agricultural buildings' means buildings (other than dwellings) occupied together with agricultural land ... and ... used solely in connection with agricultural operations thereon ..."

Section 1 of the Rating Act 1971 provides: "(3) ... 'livestock' includes any mammal or bird kept for the production of food or wool or for the purposes of its use in the farming of land..."

Section 2: "(1) ... each of the following is an agricultural building ... (a) any building used for the keeping or breeding of livestock..."

LORD KEITH said that four hereditaments at Fordingbridge were situated within or attached to agricultural land. Each comprised buildings of the sort usually found on stud farms, in particular stable blocks, loose boxes, covering yards and sheds, foaling boxes, veterinary rooms, hay stores and feed stores.

The local valuation court held they were entitled to derating. The Lands Tribunal and the Court of Appeal decided they were not.

The basis of the valuation officer's decision that the land occupied with the buildings was agricultural was that it was used for grazing and was "used as ... pasture ground only", within the meaning of section 26(3)(a) of the General Rate Act 1967.

That was right. It followed that the buildings with which the appeal was concerned were occupied together with agricultural land, which was one of the relevant requirements of section 26(4)(a) if a building were to qualify as an agricultural building.

The other requirement was that the building should be used solely in connection with agricultural operations on the land.

"Agricultural operations" was nowhere defined. In its ordinary meaning it indicated operations concerned with the raising of crops or the rearing of animals so as to produce or contribute to the production of the "means of human subsistance" (*Hardie v Assessor for West Lothian 1940 SC 329, 334*).

In the present context, however, it must bear a meaning somewhat wider than that. Included in "agricultural land" under subsection (3)(a) was land used for a plantation or wood, and also certain cottage gardens and nursery grounds. No operations which were agricultural in the ordinary sense of the word would be carried out on such land.

The ratepayers argued that since use of the land as pasture for thoroughbreds made it agricultural land, the activity of pasturing the horses was necessarily an agricultural operation; that operation was part of the activity of raising and keeping thoroughbreds; the buildings were used for the same activity; and hence the buildings were used solely in connection with an agricultural operation on the land.

It was necessary to consider the meaning of "in connection with".

In *W & JB Eastwood V Herrod [1971] AC 160, 181*, Viscount Dilhorne said that the buildings must be used as adjuncts to the agricultural operations on the land. Lord Reid said: "Ordinary usage of ... language suggests that the buildings must be subsidiary or ancillary to the agricultural operations". Lord Morris of Borth-y-Gest said the buildings must be an adjunct or necessary aid for agricultural operations taking place on agricultural land.

The concept was thus that of principal and accessory. The use of the agricultural land was contemplated as being the principal use and that of the buildings as being an accessory use.

In the present case use of the buildings was for the breeding, rearing and keeping of thoroughbreds. Use of the agricultural land was for the pasturing of the same horses. It was that use and nothing else which made the land agricultural within the definition.

Use of the buildings did not serve the purpose for which the pasture land was used. It was not ancillary to it. It was an end and purpose in itself.

Therefore the buildings were not used in connection with agricultural operations on the pasture land, and were certainly not used solely in connection with such operations.

Having reached the conclusion that the buildings did not qualify as agricultural buildings under section 26(4) of the 1967 Act, it was necessary to consider whether they did so under section 2(1)(a) of the Rating Act 1971, as buildings "used for the keeping or breeding of livestock".

"Livestock" was defined by section 1(3) as including "any mammal or bird kept for the production of food or wool or for ... use in farming ... land".

The definition was introduced by "includes". So it was argued *for the ratepayers that the ordinary* meaning of "livestock" was wide enough to embrace any animal which gained its sustenance from the land, in particular a thoroughbred horse.

It was true that an inclusive definition was normally intended to widen the ordinary natural meaning of the word defined, or at least to remove doubts as to the extent of that meaning.

However, in Dilworth [1899] AC 99, 106 Lord Watson said "include is susceptible of another construction ... It may be equivalent to 'mean and include', and in that case it may afford an exhaustive explanation of the meaning..."

There could be no doubt that in some cases an inclusive definition, considered with the general context, could cut down the ordinary natural meaning of a word or expression.

The present context was agricultural and the kinds of mammals and birds mentioned in section 1(3) of the 1971 Act were those which one would expect to find on an ordinary farm. An intention to cover animals not normally regarded as ordinary farm creatures was not readily to be inferred. On the other hand, the words "*any* mammal or bird" might well have been intended to cover some unconventional type of mammal or bird kept for food production, for example deer.

If "livestock" were to retain its full ordinary meaning, it would seem apt to include animals kept or bred as pets, for example dogs, cats and mice, so that provided the building where that was done was surrounded by or contiguous to at least two hectares of agricultural land (see section 2(4)of the 1971 Act), that building would qualify for agricultural derating. That was unlikely to have been intended.

In Belmont Farm (1968) 13 P + CR 414 it was held that in the Town and Country Planning Act 1947, "breeding and keeping of livestock (including any creature kept for the production of food, wool, skins or fur, or for ... use in ... farming ... land", did not cover the breeding and keeping of horses for showjumping.

The reasoning was equally applicable to section 1(3) of the 1971 Act. Thoroughbred horses did not fall within the term "livestock".

Lord Brandon, Lord Griffiths and Lord Oliver agreed.

LORD GOFF, also agreeing, said that the operations performed on the land were the grazing of thoroughbred horses in the course of breeding and rearing. In describing those operations it was not sensible simply to focus on grazing to the exclusion of the overall nature of the operations.

The operation of breeding and rearing thoroughbred horses for recreation was not agricultural.

On that approach the subsidiary question whether the buildings were used solely in connection with agricultural operations on the land did not arise. But if it did, it was doubtful whether it would be answered in the negative. It might not be right to restrict "in connection with" to mean "ancillary to", for it might be appropriate to include cases where use of the buildings and of the land were complementary, neither ancillary to the other.

The appeal was dismissed.

For the ratepayers: William Glover QC and Alun Aylesbury (Rustons & Lloyd).

For the valuation officer: Robert Carnwath QC and David Mole (Inland Revenue solicitor).

By Rachel Davies
Barrister

Business continuity

Forced to sell on - or sell up

France has a particular problem of elderly entrepreneurs needing buyers to ensure the survival of their operations. Charles Batchelor reports

SMALL BUSINESS suggests youth and vigour but too many small firms in France are run by old men. How to organise the successful transfer of these businesses to younger managers is a source of growing concern for the French government and the country's business organisations.

It is all very well developing policies to promote start-ups and to help young firms survive their early years. But unless companies are helped through the difficulties caused by the retirement or death of the owner-manager there may be little net gain.

"If you can arrange for the transfer of ownership of a company employing 200 people you have achieved the same result in immediate employment terms as if you had created 200 new companies," notes Armand Lepas, director of general economic affairs at the Patronat, the main employers' organisation.

In the three years to 1990 one in four of the 40,000 French companies employing between 50 and 1,000 people will undergo a change of ownership because the proprietor has reached retirement, according to a study published in June by the Patronat. Many tens of thousands of France's 800,000 craft businesses - employing up to nine people - will face a similar problem.

In all, as many as 600,000 jobs could be threatened if arrangements are not made to transfer ownership of these companies, according to one study.

The main reason why the French face such an acute problem of succession in small firms is the break caused by the Second World War and the German occupation. A wave of new firms was started in the immediate post-war years by men who are now approaching retirement.

The problem has been compounded by the lack – until recently – of an active stock market. This restrained takeover activity and meant family-owned companies tended to remain in family hands. Subsidised state loans allowed many small firms to meet all their financing needs without calling on outside shareholders.

Finally, a sharp drop in the French birth-rate in the early 1930s has deprived French business of a generation which would now be in its early 50s. "There was a demographic gap in the 1930-36 period which has meant there is no-one to succeed the post-war business founders," says Marc de Scitivaux, a senior adviser at the Industry Ministry. "Small business has 'aged'."

In Britain, by contrast, the war was less dramatic in its impact and an active stock market has prompted a continual restructuring of the pattern of business ownership.

What worries the French is not only that small companies face the prospect that they will go out of business when the owner dies. As the proprietor grows older he becomes less able or willing to innovate and expand internationally, notes Lepas. Even small companies in France are acutely aware that a single European Community market free of trade barriers is scheduled for 1992.

To solve the problem the French government has begun a series of legal and tax changes to smooth the transfer of ownership.

"This must be one of our priorities over the next decade," Georges Chavannes, minister of trade and craft industries, said recently. "We run the risk of seeing hundreds of thousands of otherwise viable businesses die because there is a lack of information; the legal and fiscal framework is unsuitable; and because we fail to recognise what is at stake."

Chavannes has now put a number of proposals to Parliament to:

- Widen the definition of people who inherit a business to include outsiders as well as family. The outsiders, who could be the current managers of the business or newcomers the proprietor wishes to bring in, would enjoy the same legal status and tax privileges as family members.
- Reduce the tax burden on businesses which change hands by making available to a larger number of businesses the FFr50,000 tax free concession on transfer tax.

France currently has among the highest inheritance duty in Europe, according to a 1985 survey. Duty would absorb 15 per cent of the worth of a French company (with a value of FFr6m – $0.59m) compared with 5 per cent in West Germany, 10 per cent in Italy and 16 per cent in Britain.

The management buy-out has also been promoted not, as in the UK, as a way of revitalising poorly performing companies or of spinning off unwanted subsidiaries, but as a means of bringing new management into ageing businesses.

The previous Socialist government introduced legislation allowing management buy-outs in 1984 but they were dogged initially by excessive red tape and restrictions which prevented outside investors initiating deals. The present government has removed the requirement that the finance authorities should screen all deals and opened them to outside investors.

But it is not just the government which is taking a close interest in the subject. Apart from the Patronat other organisations involved with the small firms sector have been active.

The Paris Chamber of Commerce has established a register of 400 small firms - one third of companies seeking to rejuvenate their management and two thirds of potential purchasers looking for a business.

"We aim to bridge the gap between the old boss and the new," says Francois Garrigue, a member of the small firms study group at the chamber. "We are campaigning to persuade the ageing owner to prepare for the hand-over and at the same time are trying to create a transfer market."

The Confederation of Small and Medium-Sized Enterprises (CGPME), the member federations of which employ 6m-7m people, has also lobbied hard for improvements. Rene Bernasconi, the confederation president, wants the government to reduce transfer duty still further and to extend the period over which duty can be paid.

Even if all these measures are introduced, however, there remains the question of persuading the elderly business owner that he should prepare to transfer his hard-won business to someone else. "We still haven't solved that cultural problem," says the Patronat's Lepas.

Lionel Granger: six or seven seriously interested buyers

Alan Harper

LIONEL GRANGER, a powerful, grizzled figure, sits chewing on his lighted cigar in the gathering gloom of his office on the eastern outskirts of Paris. Now 74, Granger has spent the past year attempting to find a buyer for the plastics components business he has run for the past 14 years.

"I must find someone to succeed me," he says. "I have reached the limits of what I can achieve and a company must always be able to look five years ahead. When I bought the company I was looking for a small operation to end my career with but I was stupid enough to let it grow."

Before buying Viault, based in the suburb of St Maur, Granger and his brother had their own metal components business. At the age of 59, he decided to go his own way. He has no children. His niece, Caroline, who is in her early 30s, works in the business in charge of administration, but has no ambitions to take it over. Granger is typical of many of his generation who are looking for somebody to take on the business when they step down.

G. Viault was a very small company when Granger bought it but turnover has risen nine-fold since he arrived. Profits have averaged FFr700,000 a year over the past five years. Last year was a bad year. Profits were negligible on turnover of FFr17m but he expects to make FFr1m or more on sales of FFr24m in 1987.

He employs a total of 62 people producing plastic extrusions for the electronics, automobile and aviation industries.

"I expected the sale would take a year to 18 months," Granger says. "I've had six or seven people seriously interested and I hope to reach an agreement early next year."

To find a buyer he went to specialist merger brokers and also registered with the Paris Chamber of Commerce. "I only signed on with the chamber to keep them happy," he confides. "I don't expect anything from it. They don't have enough people on their register."

Granger values his company at around FFr8m. He is willing to stay on temporarily and help the new owner take over though he plans to dispose of his entire 97 per cent holding.

"You can't stay on as a minority shareholder in a small company like this," he says. "Now if it were Saint-Gobain....."

A process where traps abound for the unwary

BRITAIN DOES not face such an acute problem in finding new owners for businesses set up immediately after the Second World War though the approach of retirement is the most common trigger for the sale of a company in the UK too.

Selling the business you have built up over many years can be as stressful as getting a divorce, professional advisers warn. It is unlikely you will sell it to the first person who expresses an interest so at some stage you will feel rejected; you will not get what your first thought your company was worth; and the whole affair will probably take far longer than you imagined.

"You are probably selling the thing that is closest to you after your family," notes John Fleming, a director of merger brokers Chesham Amalgamations. "And I'm being kind in some cases in saying that it is the family which comes first."

The stock market crash has taken a lot of froth out of the market for small private companies - potential buyers have less highly valued paper to pay for acquisitions while many sellers have withdrawn in the face of the decline in offer prices. But despite the downturn owners approaching retirement or forced to step down by illness or for other personal reasons remain a constant source of new companies coming on to the market.

For most of them the experience of selling their business is a new one and there are many traps for the unwary. The first mistake that many would-be vendors make is to pitch the valuation of their business too high.

For a start a private company can expect to be sold at a discount of between 30 and 50 per cent on the price which would be fetched by a similar listed company. This reflects the fact that there is at best only a limited market for its shares.

Secondly, prospective vendors tend to look at the audited after-tax figures quoted in reported deals and calculate the multiple at which their own company could be sold. What they should be looking at, warns Fleming, is the pre-tax figures arrived at before pension payments and other deductions have been made, which show less lofty valuations.

Preparation is essential if the vendor is to get the best price for his company. He should review his profit performance in previous years so as to be able to explain any negative factors and be able to make a credible forecast for up to three years.

His balance sheet may need tidying up to bring items such as debtors and stocks into line with what is regarded as good practice.

If the company has a pension fund, an up-to-date valuation should be made. If the fund is in surplus this can be advanced as a positive point during negotiations.

Timing is very important. A temporary downturn in profits – even if this only appears in the latest month's management accounts – can take up an inordinate amount of time in negotiations and divert attention from the long-term performance of the company. Uncompleted long-term contracts or outstanding litigation may also introduce an element of uncertainty into the negotiations and make it easier for the purchaser to talk the price down.

Vendors should be prepared for the fact that the deal may take up to three years to complete, including up to a year of preparation and two years of negotiation, depending on the industry the company is in.

Until the stock market crash, estate agents, financial services companies and promotion and marketing companies were fast sellers. Jobbing engineers and oil industry suppliers, on the other hand, were out of fashion.

How should you go about finding a buyer? Advertising it widely is not a good idea since unless handled very well this may demotivate your workforce and it reduces the status of the company in the eyes of potential buyers.

The brokers and intermediaries, not surprisingly, recommend the use of their services. This does make sense since few companies will have access to a broad range of potential purchasers. Typical charges would be 5 per cent on the first £500,000 of a deal, with a descending scale thereafter.

The vendor is best advised to talk seriously with two and possibly three potential buyers, says Fleming. Do not negotiate with too many people, however. This will pose an impossible burden on your time and you are likely to become confused about what you have said to whom.

While your local solicitor or accountant may know of one or two local companies which might be interested you will be restricting yourself unduly if you go to him. If after six months of negotiations talks break down you will have to start again from scratch.

Using an intermediary allows you to test out ideas without committing you to it.

While a successful deal should allow you to cash in on the work you have put in to your company do not expect to enjoy the process of selling, advisers warn. However good you are at selling your company's product or service, you will not be used to selling the business itself. You will also be negotiating while trying to run the business.

The experience is clearly too much for many people. A sizeable minority of people who put their business up for sale back out during the course of negotiations.

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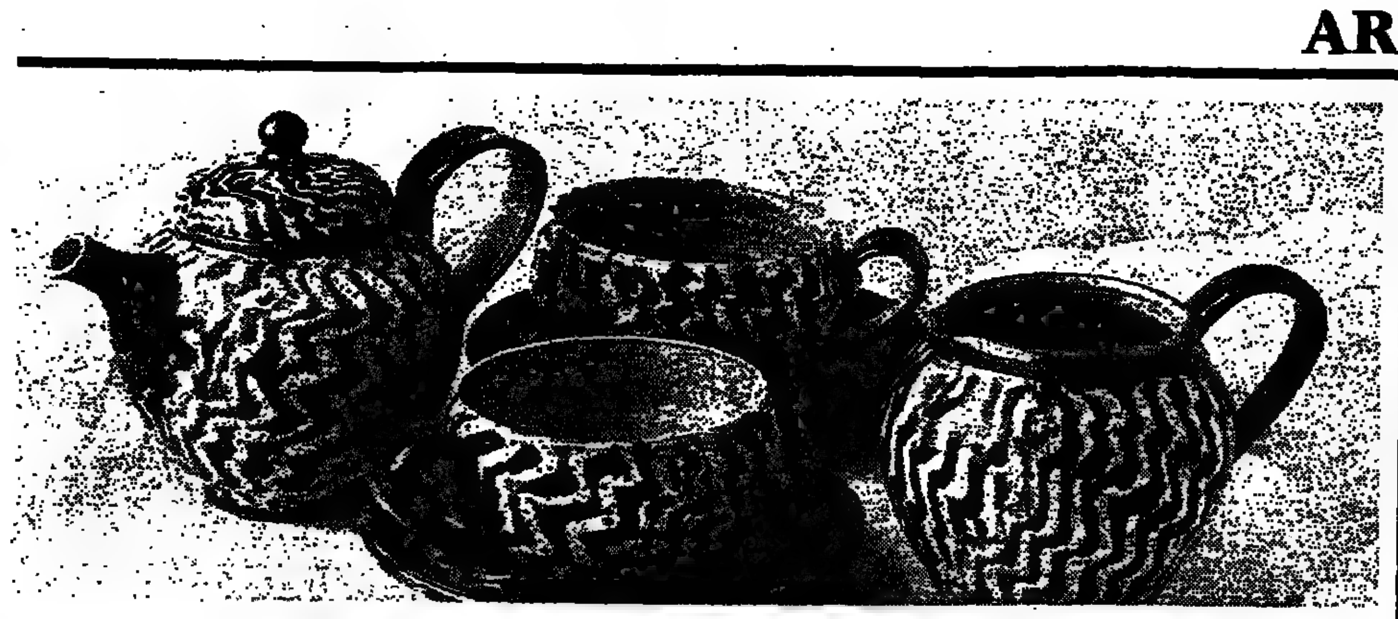

Pottery by Jacqueline Oglesby in the Crafts Council Gallery craftshop

London Galleries/William Packer

Pick up a pot or a picture

With some eight shopping days yet to go till Christmas, it is still mid-season in the galleries for the miscellany show when guest artists are brought in to help fill the walls and bring the punters flooding in. What makes it more fun for your critic is that sometimes he is asked to join that temporary elect: which is also *unfortunate, for honour* then binds him to own up and turn the critical eye away. I do so at once and begin, therefore, with the three exhibitions I cannot mention.

The first of them, *Landscapes & Interiors* at the Fine Art Society, 148 New Bond Street W1 (until January 17), is a show of *drawings by seven artists and myself*, that I selected for the British section of the International Association of Art Critics. As I can hardly go into any detail here, I would only thank the Society for so generously giving us the use of one of its galleries.

Number two is but the latest in the now lengthy series of "Small is Beautiful" exhibitions that Angela Flowers puts on each December (at 11 Tottenham Mews W1, until December 24). The subject this year is *Landscapes*, officially to be no more than nine inches by seven. The artists include Weschke, Blake, Irvin, Berg, Stevens, Ackroyd, several Frosts, Prunella Clough and Maggi Hambling, and many less well-known names, but not at all out-faced in the company. Prices range from £60 to £800 with the balance heavily towards the lower end.

The third show is *I Criticus* at the Crucial Gallery, at 204 Kensington Park Road W11, which I *have yet to see, for it was temporarily* off the walls when I called in last week (it resumes at the weekend to run until *January 6*). A generous gaggle of critics was invited to show, among them my colleagues of the Spectator, the Times, the Guardian, the Independent, the Glasgow Herald, the Sunday Telegraph and the Observer. *I look forward to discovering* just what the professional standing of each might be. We were also asked to keep our prices as low as possible.

And so to business. *The Christmas Collection* at the Crafts Council Gallery (at 12 Waterloo Place, Lower Regent Street SW1, until January 3), is something of a *double-header*, with the larger room given over to a display of recent accessions to the Council's collection of contemporary British work in all the craft disciplines. This latest crop includes ceramics, from manifestly free, experimental and unique objects, close to sculpture, by such artists as Ewen Henderson, Angus Suttie and Henry Pim, to the more orthodox but no less refined studio pottery production of such as Andrew and Joanna Young. There is furniture from Fred Baier, a black oak bowl from Jim Partridge, a hamper from Lois Walpole, and much more besides - textiles, glass, jewellery, metal, books.

Craftsmen have a living to earn, like the rest of us, and so the other, smaller room has been given over to the Crafts Council Shop in a temporary translation from the V.& A. (until December 24). The opportunity has been taken to present a full selection of the regular merchandise, but with particular reference to the work on show across the corridor. Prices are as likely to be in the low tens as in the hundreds, *for British fine crafts still* represent a considerable bargain. Purchases may be taken away directly, as with any shop. Hurry while stocks last.

The same rule obtains at Contemporary Applied Arts (at 43 Earlham Street, Covent Garden WC2, until December 24), which is now carrying what it calls its "*festive medley* of ceramics, glass wood, textiles, lighting and jewellery." Inevitably it covers much of the same ground as the *Crafts Council*, but the basement gallery which holds the normal stock of its members' work is as busy as usual.

More contemporary craft, though of rather a different kind, occupies the Anne Berthoud Gallery (at 10 Clifford Street W1, until December 23 - then January 4 to 16). These pots and textiles, that might as well have been made a lifetime *ago as yesterday*, are the *work of* the tribes of the Peruvian Amazon, who continue in the full vigour of their native tradition. The decoration is infinitely subtle and fraught with cosmic, geometrical symbolism, the forms of a disarming roughness yet exquisitely refined. The prices start around £70 for the pots, rising to *£300-£400* for the textiles - that is if by now there is anything left to buy.

Eight by Eight, at the Curwen Gallery (at 4 Windmill Street, Charlotte Street W1, until December 24), is a Christmas show of small paintings, drawings and reliefs, put on in support of the Contemporary Art Society and the Mental Aftercare Association. Rather more than 100 artists have put in a work *apiece at prices that start at £50* and rise well above £1000, though with the great majority still under £200. Again the known and unknown are fairly mixed, with the unknown, or comparatively cheap, all the more likely to take the eye. Paul Riley's quiet still life drawing, Gordon Senior's simple "Lime *Kiln*," *and John Tetley's* crisp "French Castle," are but admirable examples.

The Mercury Gallery's Christmas miscellany (at 26 Cork Street W1, until December 24) of the work of what might be called its gallery artists, brings together the contemporary with the modern *British. Prices begin around* £250 with some of the contemporary work, rising comfortably into four, even into five figures, especially with the more established and historical artists such as Sutherland, Redpath, Eardley, Burra and Keith Vaughan, whose star is now emphatically ascendant. There are good things too, from such as Remfrey, Rooney, Houston, Craxton, Bawden and Elizabeth Blackadder.

Finally, the Christopher Hull Gallery (at 17 Motcomb Street SW1, until January 9) shares much the same field and at much the same range of prices, with Sutherland, Craxton, Ayrton, *Minton*, Vaughan and early Alan Reynolds among the Modern British, and Charlotte Ardizzone, Renos Loizou, Linda Sutton, John Selway and Giles Auty among the younger contemporaries.

Don Giovanni/La Scala, Milan

Andrew Clark

The irony of the annual opening *production of the season* at La Scala is that, like most events that are over-anticipated and drowned in hype, people refuse to believe the results can be ordinary. Names like Giorgio Strehler and Riccardo Muti, who head the bill in the new *Don Giovanni*, do of course conjure up expectations of a certain quality. Strehler's Salzburg *Entfuhrung* set a standard which is still recalled today, and his Milan *Figaro* with Muti in 1981 helped to establish Muti's Mozartian credentials in the theatre. For this latest collaboration - apparently the first of a series of joint projects in Milan - they *had* a fairly good cast and the familiar designer team of Ezio Frigerio and Franca Squarciapino. But the parts did not add up.

The visual production was like wallpaper: exquisite patterns and beautiful shades, which on closer inspection turned out to be flat, undynamic and - despite *some flowery, not entirely relevant* activity - curiously static and impersonal. It had many of the trappings of a traditional big house production, richly garlanded in the choral scenes (with three different instrumental groups to entertain the guests at the end of Act 1), yet with noth*ing fresh or penetrating to say* about the characters and relationships.

The first Act meandered through a succession of spectacular side-on perspectives of grand Palladian architecture - all neo-classical arches and colonnades, draped in foliage, set against pastoral vistas of background haze and framed by a set of towering black stage columns. Like the Strehler *Falstaff*, it seemed to have come straight out of Lombardy. The idea of projecting the principal characters as silhouettes, inhabiting the half world between front of stage and the brightly-lit background, is a tantalising theatrical trick, but it didn't work here: everything just looked dark and sketchy. Most curious of all was the overdecoration of the first Act arias - Zerlina bending down and lifting her skirt for Masetto in "Batti, batti," or Giovanni and Leporello ragging like college students in *the Champagne aria* and flourishing their capes at every opportunity.

Of humour or sensuality there was none. Much of the second Act took place in front of a red drop curtain: Strehler simply seems to have run out of things to say, and his views on the *function of Anna, Elvira and* Ottavio remain a mystery. That any of the singers were able to salvage some dramatic credibility was surprising. By all accounts Thomas Allen had a big success in the title role on the first night, but due to indisposition his place was taken at the third performance by Jose van Dam, who was to have alternated as Giovanni and Leporello later in the run. He commands the stage with aristocratic ease and elegance, and the polished timbre is always a pleasure to hear; but he still seemed to be working his way into the production. Claudio Desderi's more gritty timbre and his splendid use of Italian words made for a lively partnership, though this Leporello was too well dressed and familiar with his superiors to be a servant.

Ann Murray's Elvira dug as much characterisation as she could from the music, at the *expense of some strident tone.* Edita Gruberova's Anna offered little more than cold technique. The Zerlina was Susanne Mentzer, whose tender, pure voice lacked dramatic focus. It was good to hear Francisco Araiza back in Mozart after his unfortunate forays into heavier *repertoire, and to have an exquisitely* shaded "Dalla sua pace."

For that we also had Muti to thank. I would willingly have sat through much worse productions to have heard what he achieved with his singers in the shaping of vocal phrases and balancing of ensembles. It was the kind of performance which proves how mistaken it is to think you already know the music's limits. Clarity, musicality and dramatic feeling were the touchstones here. True, there were instances of hectic overdrive - "Fuggi, crudele, fuggi" and the Act I finale were the main victims - but they pointed up all the more the immaculately sculpted delicacy of the music coursing through the string and wind parts in the gentler accompaniments. The sound from the pit indicated few concessions to current taste, with a fortepiano in the secco accompaniment and a massive symphonic approach to each doom-laden chord. *But Muti's* insights and ability to trace the pulse of the music make arguments about performing style irrelevant. He, at least, lived up to his reputation. Now he needs to find the production to match his style.

Wizard and Scarecrow/Birmingham, Derby

Martin Hoyle

Frank L. Baum turned to fanta*stic fiction after failing in* commerce and journalism, unlike many of his successors who have combined the three simultaneously. Having hit a winning streak with *The Wonderful Wizard of Oz*, he produced another 13 books about the Emerald City. The wonder is that we have not been inundated with sequels and *spin-offs*, given the material available. However, apart from the original, this year revived *notably by the Birmingham Rep* and the RSC among others, Derby Playhouse is giving *The Scatterbrained Scarecrow of Oz*, dealing with the straw man whom we saw installed as a wise ruler of Oz at the end of Dorothy's first great adventure.

Birmingham and Derby aim at different age-groups. The Second *City's newly vitalised Rep* gives us a stage version of the film, complete with well-loved songs; Derby presents a story tailored for touring to schools on modest resources written by Alfred Bradley, a distinguished BBC radio producer and originator of that showcase for new writing talent, *Northern Drift*. Annie *Castledine's* gentle and comic production at Derby, sponsored by Central TV, caters for the tinies who shriek encouragement and warning to the stage; for the Brummies, sponsored this season by Ansells, Derek Nicholls hits a more sophisticated note aided by the visual opulence of Terry Parsons' designs.

The hint of Art Deco in the hemispherical proscenium arch frames an opening scene where *the dust-bowl farmstead is* portrayed with the clear unfussy naturalism of a story-book illustration. This gives way to the Munchkin townscape of lollipops and ice-cream cone houses, smarties and allsorts lying about the street; the scarecrow is discovered against a lovely Deco background of arcs and points, *stylised hills and trees*; and the sumptuousness of Oz, a 1930 hotel lobby of marble and majolica, pillars and chandeliers, in green, gilt,turquoise and ultramarine, where the girl dancers advance in plumed fan-shaped headdresses like Ziegfeld beauties, is positively edible.

Tom Fahy, Sue Devaney, Philip Herbert and Nigel Leach in Birmingham

The Rep has pipped the RSC to *the post with its restored* emphasis on the Jitterbugs, here bopping in pink zoot suits with blacked-out faces (stocking masks), pink-framed specs and white gloves and shoes. They add little to the sum total; more to the point are Tom Fahy's strong Tin Man and Aline Mowat's vigorous Wicked Witch *of the West. Sue Devaney* sensibly avoids a Garland imitation as Dorothy: a warm voice with a hint of throaty plangency.

Birmingham's rainbows are "*bent by Barnshaws Metal Section Benders*". Derby has a rainbow-painted catwalk, a curved backdrop, a sporadically visiting tower like Dr Who's Tardis and evocative lighting by Nick Beadle. A certain slowness and preoccupation at the first performance was explained by the dress-rehearsal injury suffered *by Mike Kenny's gangling*, lovable gormlessly northern Scarecrow: a cracked collarbone took the spring out of the tumbling comedy though Mr Kenny played on gamely with a patently useless left arm. No songs here, though "Over the rainbow" recurs from Adrian Johnson's faintly Byronic Music Man seated *throughout at his key*boards and percussion upstage left. A wicked witch (again) steals the painfully-acquired brain, heart and courage from Dorothy's old comrades despite shrill warnings from the audience ("Wake oop!"). Dorothy herself is Naomi Wirthner, sweet, sturdy and practical; and again wickedness provides a juicy role for an actress in Stephanie Fayerman's witch.

Iestyn Jones strikes a fine balance between solemn realism and comic-strip adventurousness as the witch's unloved son with a soft heart. While Birmingham's *Wizard* is American, Derby's *down-to-earth Scarecrow is* British, with a Welsh-accented Uncle Henry and an Aunt Em (Miss Fayerman again) who sports a classless sub-London accent as if she had wandered in from Radio 4's *Citizens*. Birmingham's Toto is a *Griffin* Bruxellois, the grizzled ten-year-old son of a Crufts champion, whose mother has acted with Lesley Ann Down and Mia Farrow and whose *sister* has worked with Burt Reynolds. He has the *family* whiskers. Derby's Toto is an invisible mouse. The edge to Birmingham, I think.

Julian Lloyd Webber

Paul Driver

Julian Lloyd Webber's afternoon recital at the Wigmore Hall on *Sunday, with pianist Peter Pet*tinger, brought the first performance of Malcolm Arnold's *Fantasy* for solo cello, along with sonatas by Beethoven and Debussy and some other English items. Frank Bridge's *Scherzetto* for cello and piano was played, and his haunting little *Elegie*. Alan Rawsthorne's Sonata of *1949* made a powerful impression with its cogent argument and clipped manner of musical speech: Rawsthorne has a marvellous way of taking stock neo-romantic rhetoric, stripping away all that is fleshy and false about it, and presenting us with a discourse which is very subtly arresting. Peter Pettinger had rather more to do in this sonata of equals than just give the cellist support, and his solo passages were shapely and striking. Lloyd Webber's performance was articulate, impassioned, large-toned, persuasive.

The Arnold new work, his Opus 130 no less (though he has not latterly been producing as copiously *as of old*), is extremely attractive, quite short, and wholly unpretentious: a continuous *unfolding of seven little sections*, each vividly characterised and concisely written. The opening Andantino (reprised at the end as the seventh section) is broad and *declamatory*. The following Vivace sports a funny bouncy rhythm reminiscent of "Half a pound of tuppenny rice" which is immediately cut off *each time it appears by a mourn*ful lyrical phrase – the effect is peculiar, pointful and, although small-scale, distinctively Arnoldian. The Lento is melodious and, again, mournful (here I thought of the tune of one of the sadder Brahms Hungarian Dances). Next comes a march, then an affecting *pizzicato serenade, then another Lento, one of* strange melancholy, and finally the opening again, which returns satisfyingly and with, of course, changed significance. The *Fantasy* is a memorable and rather tearful little opus, a perfect gift to cellists of even average ability: Lloyd Webber's virtuosity was scarcely taxed by it, but he did it proud.

Beauty and the Beast

Antony Thorncroft

A pantomime with no big names; no references to television pro*grammes; no contemporary* asides – what a tremendous relief. David Cregan has adapted the famous fairy story, and Brian Protheroe has provided some pretty, unobtrusive, songs. It is the kind of Christmas entertainment that middle class parents dream about.

All the more surprising to find it at Stratford East, with its reputation for noisy audience participation and political theatre. *In fact the Edwardian look of the* Theatre Royal makes it an ideal back drop, and there is a warm welcome for a good old fashioned escapist plot where everyone is how they seem and there are no challenging subtleties.

The audience is not afraid to express its bias, and Angela Bruce as Dolores, the Wicked Fairy, seems to be more popular than Lavinia Bertram as Candy, a Good Fairy, perhaps because the splendid Miss Bertram models her part on a well intentioned but bemused social worker, complete with *young idealistic assis*tant (Debbie Roza).

It is the enthusiasm of the cast *that makes this such a happy* evening. There is not much slap stick, nor labouring away at tired old panto routines; kids only get one chance to get on the stage when they are quickly transformed into beasts; and the terror element is low. This is a sunny production, from Madeline Adams as such a simpering *Beauty that you will the Beast to* eat her, to Christopher Owen who just keeps the cross-dressing tradition alive as quite the most butch dame I have ever seen. Usually if adults like a panto, the children get restive, but director Philip Hedley races through the show and sends everyone out revitalised.

Circus in Battersea Big Top

The Cottle & Austen Christmas circus will be at the Battersea Big Top Hippodrome in Battersea Park from December 26 until *January 17*.

Simply Red/Academy, Brixton

Antony Thorncroft

It's the *time of year* when the big names of pop return to the land of the living to clean up on the pre-Christmas cash spree. Mick Hucknall is a big name. And so he should be: he has enough bumptiousness to pass as a character and *he sings* like an angel, soulfully.

There was perhaps a more *worldly edge to his voice at the* Academy on Saturday compared with his last tour in the spring, as if the fickleness of the business had got through to him. The rawness was an attractive accessory.

There is a real danger that Simply Red, *the band he leads* definitely from the front, is a bit too slick, almost oily. There are shades of Spandau Ballet which must be raised, quickly. The boys wear smart suits and ties; the girl singer is a recidivist ululator; the light show dazzled like a technicolour dreamcoat (pity about the sound system).

On top of this smooth production was layered the cocky Hucknall, his hair still dressed to the left *with flowing curls, his* treatment of the audience world-weary. The mix could hardly be faulted – if soul had been invented by Saatchi & Saatchi this is how it would have sounded: crafted, sophisticated and cynical. It is a mistake in "Suffer" for Hucknall to sound so black and anguished (it hardly *rang true*), *but close your eyes* and what Eric Clapton did for the Chicago Blues, Hucknall is doing for Philadelphia Soul.

The packed crowd at the ornate Academy – a worthy successor with its pastiche Edwardiana to the mouldering Rainbow at Finsbury Park – only really got excited when Hucknall slipped off his jacket to attack "Love Fire." Earlier his addiction to Cole Porter, expressed in an *effete version of* "Love for Sale" *and dedicated to all the hookers* in town, was not shared by his fans near the bar at the back, *nor I expect* by Ella Fitzgerald, but it showed taste.

The finale was tremendous, with the band blowing its soul out on the plaintive "Holding Back the Years," the perfect lead in to "*Money's too Tight*," two of the best pop songs in recent years. For Simply Red it was just another gig: but for the audience, by the happy ending, it was an uplifting start to party time.

Cinderella/Crucible, Sheffield

B.A. Young

To be honest, it hardly matters which classic pantomime tale *they use at the Crucible, for the* stars are the kids in the audience. They are adept at picking up every hint from the stage, and they shout louder and more readily than any kids I have encountered. This year, we have a *Cinderella, with no credit in* the programme for the script; and except for the heroine herself (Stephanie Johns), Prince Charming (Leslie Ash) and Dandini (Debbie Norman), all as attractive as the parts demand, the cast consists entirely of comics. The house was full and enthusiastic, and this is what pantomime is for.

Buttons has most of the comedy. He is played by Bobby Knutt, who has become as regular at the Crucible as the snooker. He treats the children *like a universal uncle* and has a talent for persuading tinies on the stage to do acts of their own. He knows all the shop-names and televison-names. He looks the same in any part he takes, middle-aged and bespectacled, concerned *only with entertain*ing, hardly at all with acting. Indeed I am prepared to say, in no adverse spirit, that there is little acting involved in the production at all, except perhaps for Meg Johnson as the fairy godmother. Once the director, Mike Kay, has established that all the funnies must spend half their time on their backs, why try anything more subtle?

The ugly sisters are both men, *Finetime Fontayne* and Rob McCulley, but one of the broker's men is a girl, Alex Lonsdale, with a ginger fright-wig and a vast mallet for knocking her colleague, Dave Warburton, on to his back. (You will see that the *accepted story is more or less* pursued.) All four are involved in a bathroom-scene for the sisters, where a face-pack, egg shampoo, face-cream and vanishing-cream do their worst. Baron Hardup wears a blue wig; *there is a small chorus* of boys and girls and one of "babes" about 12 or 13. Some of the dancing could do with more rehearsal.

A revolving unit upstage offers plenteous variety of scene, including a staircase at the ball generous enough for Marlene Dietrich. The three-piece band (guitar, synch and drums) plays from an opening in the stage. They open the ball with Prokofiev, no less.

Arts Guide

December 11-17

Opera and Ballet

LONDON

Royal Opera, Covent Garden. As its festive-season offering, the Royal Opera brings back l'Elisir d'Amore with Yvonne Kenny, Denes Gulyas, Enzo Cara, and Gino Quilico. Last of the current Tosca revival, well cast (Marton, Wixell) but lamely conducted by Giuseppe Sinopoli. *(240 1066)*.

English National Opera, Coliseum. The new, eagerly-awaited production by David Pountney of Hansel and Gretel has Mark Elder as conductor, Ethna Robinson and Cathryn Pope in the title roles, and Felicity Palmer (doubling mother and witch). Further performances of two Jonathan Miller productions - the Mafia-style Rigoletto, in its last-ever run, and the limp, unfunny new Barber of Seville, with Della Jones's Rosina the *most important saving grace*. (836 3161).

PARIS

Kirov. *The temple of classical ballet* has brought, with Swan Lake and Giselle, a revelation: the couple Farouk Ruzimatov and Altynai Assylmuratova. Palais des Congres (425 62075) until Jan 10.

Jiri Kylian and the Nederlands Dans Theater perform to music by Stravinsky, Mozart and Debussy until Dec 13, to music by Toru Takemitsu, Iannis Xenakis, Minku, Mozart and Jon Hassell until Dec 20. Theatre de la Ville. (427 42277).

Norma alternates with Macbeth at the Paris Opera.

Don Giovanni conducted by Lothar Zagrosek with Francois le Roux in the title role and Helene Garetti as *Donna Elvira in Oslo Opera's* dynamic production by Goran Jarvefelt at the Opera Comique. (429 60611).

WEST GERMANY

Berlin, Deutsche Oper. Hansel und Gretel stars Karan Armstrong and Gerd Feldhoff. Oedipus, composed for the Berlin Opera, will be conducted by Christof Prick. Fidelio, in Jean Pierre-Ponnelle's production, features Deborah Polaski. Also The Nutcracker choreographed by Rudolf Nureyev. (34 381).

Hamburg, Staatsoper. Le Nozze di Figaro is a joint project between Hamburg and Salzburg Mozarteum. *The cast includes Linda Plech* and Peter Galliard. The Nutcracker and Endstation Sehnsucht are choreographed by John Neumeier. Don *Pasquale has fine interpretations* by Hellen Kwon and Urban Malmberg. (35 11 51).

Cologne, Opera. Hansel und Gretel has Andrea Andonian and Teresa Ringholz in the main parts. Hellen Kwon repeats her much praised Queen of the Night in The Magic Flute. (20 761).

Frankfurt, Opera. John Cage's opera Europeras 1 & 2 will have its premiere this week. Falstaff is steered to triumph by Louis Quilico in the title role. Cosi Fan Tutte has a new cast led by Clarry Bartha and Rodney Gilfry. (25 621).

Munich, Bayerische Staatsoper. La Forza del Destino stars Julia Varady, Judith Forst, Kurt Moll and Wolfgang Brendel. Hans Werner Henze's Undine, choreographed by Tom Schilling. Madame Butterfly is also being staged.

ITALY

Turin, Teatro *Regio. Don Giovanni* conducted by Miklos Erdelyi and directed by Luigi Squarzina, with Renato Bruson singing the title role, *alternating with Martin Egel*. Also in the cast are Eugenia Moldoveanu and Raquel Pierotti. (58 80 00).

Florence, Teatro Communale. Franco Zeffirelli's production of La Boheme, conducted by Carlos Kleiber, with Mirella Freni and Cecilia Gasdia alternating as Mimi, with Chris Merritt and Jonathan Summers. (277 9236).

Trieste, Teatro Communale Giuseppe Verdi. La Figlia del Reggimento conducted by Carlo Rizzi and directed by Filippo Crivelli, with scenery and costumes by Franco Zeffirelli. In the cast are Luciana Serra and Domenico Trimarchi. (63 19 48).

Milan, Teatro alla Scalla. Don Giovanni, in what promises to be an *outstanding production, directed* by Giorio Strehler and conducted by Riccardo Muti, with Thomas Allen in the title role. The figures and *landscapes in Ezio Frigerio's sets* have been borrowed from the Venetian painter Bellotto. Costumes by Franca Squarciapino. Also, The Nutcracker in *Rudolf* Nureyev's version, with scenery and costumes by Nicholas Georgiadis, danced by Anita Magyari and Charles Jude. (80 91 26).

Rome, Teatro dell' Opera. Alicia Alonzo's Ballet Nacional de Cuba conducted by *Alberto Ventura*. (46 17 55).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera with Cendrillon by Jules Massenet, directed by Gilbert Deflo. The Netherlands Philharmonic conducted by Henry Lewis, with Stephanie Friede, Robynne Redman, Rita Gorr and Wendy Hill (Tue). The National Ballet with Ashton's Cinderella (Thur). (25 54 55).

Amstelveen, Cultureel Centrum. The Hoofdstad Operetta company in Strauss's Wiener Blut directed by Dick Trop and conducted by Martin Malzer (Tue to Thur). (45 84 44).

Arnhem and Eindhoven. The Scapini Ballet Company dance Tchaikovsky's Nutcracker, with the Brabant Orchestra conducted by Jan Stulen. Wed in Arnhem, Schouwburg (42 27 41), Thur in Eindhoven, Schouwburg (11 11 23).

NEW YORK

Metropolitan Opera (Opera House). Manuel Rosenthal conducts Die Fledermaus in Otto Schenk's production with Barbara Daniels, Judith Blegen, Tatiana Troyanos and David Rendall; Marek Janowski conducts John Dexter's production of Die Entfuhrung aus dem Serail *with Zdzislawa Donat, Erie Mills*, Gosta Winbergh and Matti Salminen. Fabrizio Melano's new production of Il Trovatore is conducted by *Richard Bonynge, with Joan* Sutherland and Luciano Pavarotti; Franco Zeffirelli's production of Tosca is conducted by Christian Badea *with Eva Marton, Sherrill* Milnes and Italo Tajo. Lincoln Center. (362 6000).

WASHINGTON

Joffrey Ballet (Opera House). This Robert Joffrey production is done in collaboration with Gerald Arpino, Richard Englund and George Verdak with scenic design by Oliver Smith and costumes by John David Ridge. Ends Dec 27. Kennedy Center. (254 3770).

TOKYO

Iso. *Return visit to Tokyo by four* members of New York's Momix Dance Group. Ginza Saison Theatre (Thur). (535 0555).

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Israeli rule in Gaza

AN UGLY shadow has fallen over the preparations for Israel's 40th birthday in May next year. For six days now the occupied Gaza Strip has been in ferment. At least eight Palestinian demonstrators have been shot dead – and many more wounded – in repeated clashes with the security forces.

United Nations officials on the spot are already calling it a revolt. *It is certainly some of the* worst civil unrest in the 20 years since Israeli forces seized Gaza and the West Bank in the six-day war. The disturbances – like the Palestinian hang-glider attack on an army base in northern Israel three weeks ago – are also a potent reminder of the unresolved issue which remains absolutely central to Israel's future: what to do with the territories and their increasingly disenchanted Arab population.

It is not hard to see why Gaza has erupted in the last week. The Strip is one of the most densely populated areas in the world, with 650,000 Palestinians, more than half of them refugees in squalid camps, crammed into a piece of territory barely 29 miles long by six miles wide. They have long felt neglected: Egypt did notoriously little for the Strip when it was in charge before 1967 and Israeli rule has left its people with a debilitating *sense of political and economic* dependency. More than 60 per cent of Gazans are below the age of 20, which means that they have spent all their lives under Israeli occupation. Recently, their frustration has spawned a new brand of religiously-inspired activism which the authorities are finding more difficult to deal with than the traditional enemy, *the Palestine Liberation Organisation.*

Fairer treatment

All these conditions are particularly acute in Gaza, but they are not unique to it. In the larger West Bank, too, the atmosphere has deteriorated over the last two years: Palestinian unrest has met with a harsh response from the security forces; rising Palestinian aspirations have run into a flat Israeli refusal to allow Arabs under occupation any form of genuine economic or political independence. In both territories, the situation is no doubt containable from a strictly military point of view. But it is also creating long-term political problems which Israeli leaders would be foolish to underestimate.

Public opinion inside and outside Israel is becoming more aware of the nature of Israeli rule over the occupied territories. One consequence of this has been the political pressure on Israel's coalition Government to agree to attend an international conference to discuss alternative arrangements. The consensus on the need for such a gathering is overwhelming, among Western, Eastern and Arab governments as well as on the Labour side of the Israeli coalition and among diaspora Jewry: only Mr Yitzhak Shamir, the Israeli Prime Minister, and his allies have consistently rejected it out of hand. Another consequence, on a smaller scale, has been the readiness of foreign governments to insist that the Palestinians get a better deal: witness the European Community's pressure on Israel over fairer treatment of farm exports from the West Bank and Gaza.

Election year

In the longer term there is the irresistible force of demographics. At present, Jews outnumber Arabs within Israel and the occupied territories (taken together) by a substantial margin. But the birth rate among Palestinians is *much higher than that among* Jews and, according to some estimates, the former could outnumber the latter as soon as the year 2010. At that point, if no territorial settlement is reached, Israel will be faced with an agonising choice. It will either have to maintain the Palestinians as a subject people and thereby sacrifice its democratic credentials, or absorb them as *full citizens* and thus lose its character as a Jewish state.

As a number of delegates to the 31st World Zionist Congress in Jerusalem pointed out last week, neither "solution" seems especially palatable or likely to bring Israel peace. This is why such politicians as Mr Shimon Peres, the Foreign Minister, believe that the status quo is unsustainable in the long run and that the Government will eventually be forced to contemplate some form of territorial settlement. *It is to be hoped that in* 1988, which is an election year as well as the state's 40th anniversary, debate within Israel will be focused on this issue with greater clarity than in the past.

Time to discard the golden share

LIKE GRIT in a bearing, the UK Government's "golden share" in Britoil has caused the machinery of the capital markets to judder and squeak during the takeover battle between British Petroleum and Atlantic Richfield of the US.

Neither company has dared to make the straightforward bid for full control, which would have seemed an obvious course in the absence of an effective government veto. *Yet the golden share* has not prevented two of the oil industry's titans from joining battle over the largest of the UK independent oil companies – each trying to build up a 30 per cent stake.

The Government has allowed doubts to accumulate about its views on the purpose of the golden share and the circumstances in which it would be used to prevent a takeover. The reason, probably, is that ministers are now uncertain themselves about its purpose.

Back in 1982, when the old *British National Oil Corporation* was floated into the private sector, the purpose of retaining this peculiar £1 preference share in official hands was clearer. It would give the the Government 51 per cent of all shareholders' votes for a temporary period in the event of a takeover by another company. Although it would not technically prevent a predator from acquiring 100 per cent of the share capital, it could prevent the new owner from exercising control.

Strategic direction

At the time of the flotation, the creation of the golden share was partly a political expedient to silence those who opposed the sale of an important state asset, and partly a notice for foreigners to keep out. It was also intended to give the management of the new private sector company a chance to find its feet. The Britoil golden share was thus part of a more general policy of fostering the growth of a group of smaller independent British oil companies in the North Sea.

No date was set for its expiry, although it can be revoked at any time. However when Enterprise Oil was spun off from British Gas two years later, the Gov*ernment decided* that its golden share should expire at the end of 1988.

This reflected the Government's growing conviction that the ownership and strategic direction of most companies was best decided by the market rather than by political fiat. On *the other hand* it has continued to favour an independent oil sector, and is not immune from political pressure to keep North Sea oil British.

Market logic

The tide of the market is now running strongly against the smaller oil companies both in the UK and in the US. With oil prices and the stock markets subject to much greater uncertainty than two years ago, private investors have not on the whole been prepared to take as long term a view of the sector as the companies would like. Hence the oil majors such as BP, which must take a long term view, now find the assets of companies *such as Britoil are cheap.*

The logic of the market says that these larger companies now have the resources to develop the assets of their smaller sisters *more efficiently than would hap*pen if they were left alone. Elf Aquitaine has taken the same view in its bid for Tricentrol, another of the UK independents. The Government appears to have decided not to interfere with this bid, even though its control over North Sea licences gives it effective power of veto.

Ministers would therefore appear inconsistent, *to* say the least, if they used the golden share in Britoil to prevent a takeover by Britain's largest company while permitting a French invasion of Tricentrol. Moreover, the golden share seems likely to give Britoil only a twilight independence, with both Arco and BP poised to pounce later. Meanwhile Britoil and its remaining shareholders *would fail to* benefit from the cash and management of a bigger partner.

To prevent this limbo the Government must quickly make up its mind whether it wants to use its golden share for policy reasons, and say unambiguously what they are. Otherwise it should clear the decks for a clean and open fight by announcing an expiry date for the share in the reasonably near future.

US industrial performance: Anatole Kaletsky, James Buchan and Deborah Hargreaves report

Bursting at the seams

"SURE, WE could be exporting more steel products. But with domestic demand so strong, we don't have the capacity to export. And if you're asking me whether I'm going to add capacity, the answer is, categorically no."

This comment by Mr David Roderick, chairman of USX, America's biggest steelmaker, goes some way to explain the persistent inability of the US to improve its trade performance, which was shown so spectacularly by the record $17.6bn (£9.6bn) trade deficit announced last Thursday. It also sheds light on the recent change in intellectual fashions on Wall Street, where anxiety about inflation has gradually *overwhelmed the fears of recession which preoccu*pied investors immediately after Black Monday.

But how near is the US economy to its capacity limits? And is the economic headroom likely to expand or *diminish* in the months ahead?

The answers obviously depend on two factors: the overall growth of the US economy and, equally important, the economic sectors from which that growth derives.

While all the main economic indicators published in the two months since October 19 have *turned out stronger than expec*ted, it is still far too early to say that the economy escaped the crash unscathed. In the meantime there is considerable evidence about where the sources of economic strength may lie.

It is not true, as politicians outside America often suggest, that the US is still indulging in a huge binge of borrowing and *consumer spending.* In the 12 months before the crash, the main source of growth in the economy had already shifted from consumption to exports and investment. In the third quarter of this year, consumption was only $40bn or 1.6 per cent higher in real terms than a year earlier and residential construction had fallen sharply.

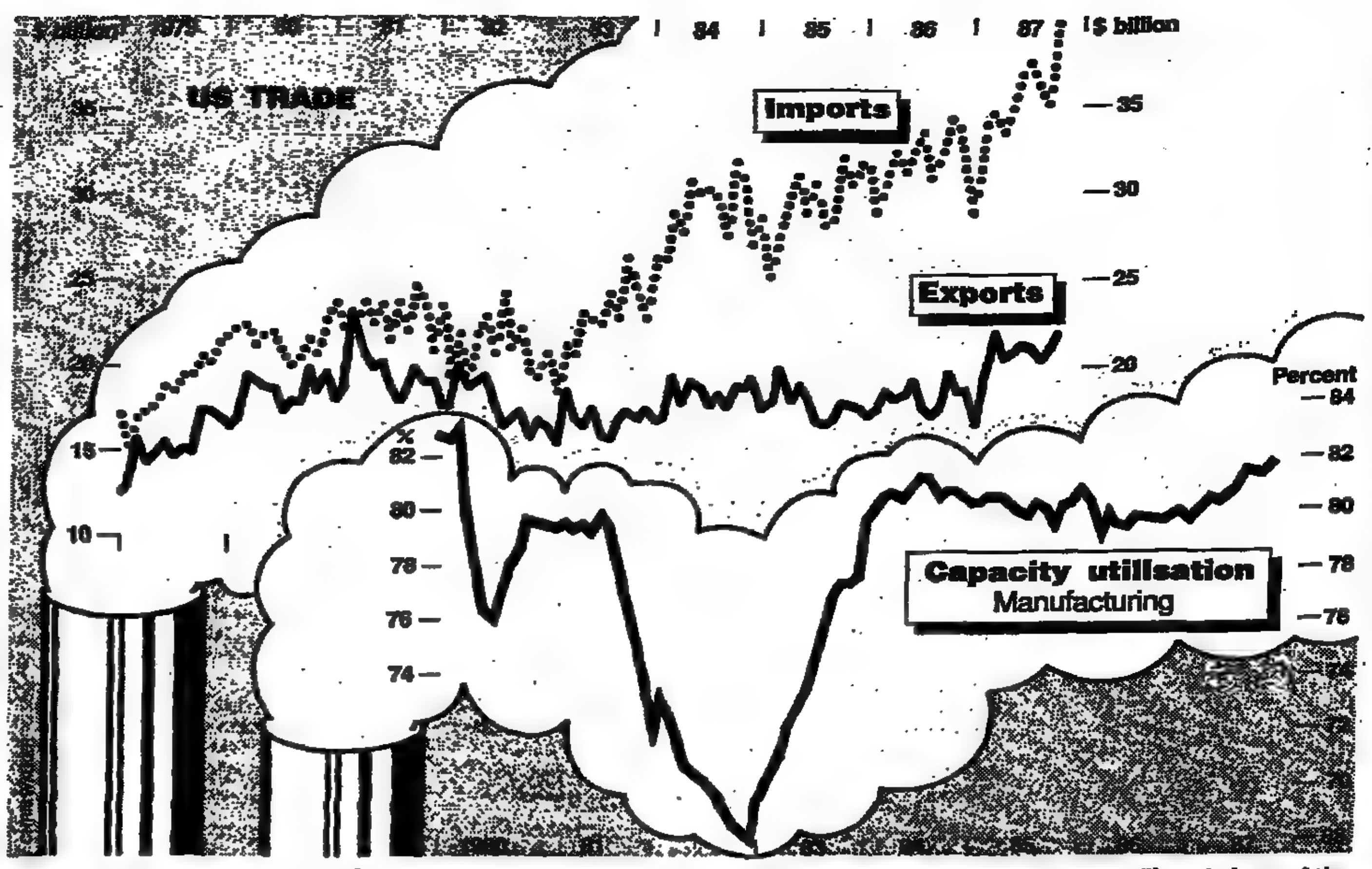
Meanwhile export volumes increased by $54bn or 14 per cent and imports grew by only $27bn or 5 per cent. The net effect of trade on US economic activity has been strongly positive despite the continuing growth of US monthly trade deficits. These have resulted from sharply higher import prices, rather than rapid growth in volumes.

The other major factor helping to offset the softness of consumer spending and housing has been business investment. Spending on plant and equipment rose by $22bn or 6.9 per cent in real terms compared with the year before. Before last week's appalling trade figures, these trends were prompting a good deal of self-congratulation in Washington about the revival of "smokestack America" and its new found competitiveness in world markets.

On Wall Street, investors were only too willing to believe that the previously despised basic industries would solve the US trade problem with the help of the falling dollar. Providentially this export and investment activity would also keep the domestic economy expanding after the fall of the high-flying financial, business and consumer services in the stock market crash.

In reality, however, the view from smokestack America is less reassuring. The last quarter's jump in investment was a sudden, and possibly quite freakish, occurrence. Partly, it was the mirror image of big cutbacks earlier in the year connected with the introduction of new tax laws. For 1987 as a whole, plant and equipment spending is expected to be only 1.7 per cent higher than in 1986, according to the latest survey of investment intentions conducted by the Commerce Department. Looking beyond the figures to the behaviour of individual companies, there seems little evidence of a major investment revival, even in those sectors where the benefits of the dollar have been most immediately felt.

At the same time, as last week's trade figures made plain,



It is not true that the US is still indulging in a huge binge of borrowing and consumer spending

American businesses still have a long way to go before they start recapturing their home markets. While their exports have been rising strongly for well over a year, many American industries have managed only to slow the rate at which they have continued to lose domestic market share.

Recently, some US economists have put forward an alarming conjecture to explain the disappointments in trade and industrial investment: that the sort of problems faced by Mr Roderick at USX are very widespread. Maybe American industry does not have the physical capacity to recapture markets – and maybe *US companies now lack the con*fidence to invest in that capacity, preferring instead to raise their prices, so boosting their profit margins and shareholder returns.

Mr David Hale, chief economist of Kemper Financial Services in Chicago, has put this point most colourfully. He argues that many of America's leading industrial companies got so carried away by the fashion for corporate restructurings and cutbacks during the period of dollar over-valuation in the early 1980s, that they are now suffering from "corporate anorexia." These companies are now so "lean and mean" that they are turning away opportunities for expansion even when these are presented to them on a platter as a result of the falling dollar.

While average capacity utilisation in US industry as a whole is still only 82 per cent – somewhat below the cyclical peak of 1984 – the figures for certain industries particularly exposed to foreign trade are much higher. In the paper industry, official capacity figures show 96 per cent utilisation, and textiles are operating at 95 per cent of maximum output. Both figures exceed the highest levels ever recorded in previous booms. Glass, aluminium and many parts of the chemicals, synthetic fibres and plastics industries also see little scope for further expansion.

As noted by Mr Roderick, even the languishing steel industry is now constrained by capacity limits, with plant utilisation up to 84 per cent on average and over 90 per cent for most flat products. At the level of individual companies, some of the shortages are even more striking. Alcoa is operating at 109 per cent of its rated capacity, after restarting facilities it closed as uneconomic in 1985. USX has recalled thousands of the steelworkers it laid off only a year ago at a cost of $75,000 to $90,000 each.

An even more extreme case is Cummins Engine, *the leading US* manufacturer of heavy duty diesels, which won widespread applause a few years ago for its aggressive cost cutting and capacity reductions. Cummins lost money in the last quarter because demand went up. Its report to shareholders blamed poor results on "operating inefficiencies needed to support increased sales volumes." These included, according to analysts who follow the company, overtime costs which have raised some wage levels to $60,000 a year, components shortages due to previous inventory cutbacks and production difficulties resulting from the consolidation of output from three closed facilities in one site.

Yet Mr John Hackett, the company's chief financial officer, says he has no plans to increase investment. "We still have more total capacity than we need in the long run," he says.

That is an attitude shared by many capacity-constrained companies. The steel industry, after a decade of unremitting gloom, "perceives this as a short-term bubble," as Mr Milton Deaner of the Iron and Steel Institute puts it.

Even the chemical industry, which has reaped great profits from US production as a result of the low dollar is planning less investment this year than in 1986, according to the Commerce Department survey. "We're not investing as we did in the 1970s, it's mostly maintenance spending, designed for cost reduction, de-bottlenecking and modular expansion. We are not inclined to go into greenfield projects, we just don't see the need," says Mr Nick Filippello, economist at Monsanto.

A theme which many executives underline is their reluctance to make long-term decisions on the basis of temporary falls in the dollar. "We're doing our planning on the assumption of a Y140 dollar," says Mr Dan *Meyer, president of Cincinatti* Milacron. "If it falls lower than that, we will need plenty of time and a wide margin of safety before we feel confident that it won't kill us with another rebound."

Perhaps significantly, paper and forest products, which faces no Japanese competition, is one of the few major export industries which has launched enthusiastically into new investment programmes. This is an industry which could stand up comfortably to foreign competition at an exchange rate well above today's levels. Its sales were up 17 per cent this year and profits jumped by 46 per cent. This year it is increasing capacity by 2.2m tons or 3 percent – the largest increase in 14 years. It plans a total of 6m tons in new capacity by 1990.

Executives stress their reluctance to make long-term decisions on the basis of temporary falls in the dollar

But how important are capacity shortages in explaining America's poor trade figures and does "anorexia" account for industry's modest investment performance?

One of the best gauges of the capacity pressure on an industry is its ability to impose price increases on customers. According to the latest purchasing managers' report input price increases have been "essentially confined to paper, metal and plastic-related products." In contrast, Mr Hackett of Cummins notes that his firm has not been able to make significant price increases stick for years and analysts estimate that next year diesel engine prices *will rise* no more than 1 to 2 per cent.

The reason, notes Mr Hackett, is that, *even if Cummins* is currently capacity-constrained, its main competitors like Detroit Diesel and Mack are only too willing to turn out more engines.

In terms of pricing flexibility, the chemical and paper companies seem to be less typical than the engineers. One reason, frequently repeated by other US managers, is given by Mr Meyer of Cincinatti Milacron, the country's leading machine tool builder. "The Japanese just haven't raised their prices however much the yen went up – they are discounting 40 to 50 per cent on the prices they charge in their home market."

As a result of the pricing pressures and competition in the home market, Mr Meyer's company made a loss in its last quarter and has managed only a paltry profit, down 67 per cent on a year earlier, in the first nine months of this year. Its exports are well up he says, but "the lower dollar has had little effect on machine tool imports – we've had some opportunities to stave off European companies, but the Japanese just keep coming back with *discounted prices.*"

This familiar complaint about Japanese underpricing is still heard up and down industrial America. Detroit's motor industry, which is certainly not suffering from a capacity shortage, claims it is one of the main reasons why the collapse of the dollar has not stopped the importers increasing their market share *from 27 to 30 per cent in the last* year.

Even Caterpillar, a company which has managed to re-establish its international leadership in construction equipment and pushed back its Japanese rival Komatsu to the market position it occupied in the early 1980s, says it cannot yet charge adequate prices and still has excess *capacity both in its US* operations and overseas.

In a sense, this argument is reassuring. If pricing is really the main obstacle to an improvement in the US trade balance and a revival of industrial investment, then further devaluation of the dollar will work eventually. Sooner or later the Japanese and other importers will have no choice but to raise their US prices dramatically or suffer intolerable losses. If they have not raised their prices already, it is simply because the dollar has not fallen far enough "to really hurt."

The rule of thumb among US industrialists now seems to be that the "pain level" for their Japanese rivals lies somewhere between Y120 and Y100 to the dollar. Of course, this may imply a dollar that is substantially undervalued by some conventional measures such as purchasing power parity. This occasions no distress in US industry or among policymakers in Washington.

As one senior and widely respected Federal Reserve official puts it: "After five years when the dollar was way too high in purchasing power, we probably now need a dollar that is way too low."

Of course, letting the dollar fall risks inflation. But after Black Monday, most US officials seem to regard that as a risk worth taking, to boost exports, curb imports and possibly tempt even the corporate anorexics to invest and expand.

Men and Matters

Electricians' Christmas word

In the view of many British trade union leaders the EETPU electricians have, for a long time, been sticking out their collective chin, and saying, "Go on, then – hit me."

Some observers were, however, *beginning to think that things* were at last starting to calm down. The hostility engendered by the union's role in the lengthy News International Wapping dispute had tempered even the EETPU's pugnacity, or so it seemed.

Yet *the union's* 1987-1988 Industrial Relations Yearbook, newly-issued yesterday, proves to be a sure-fire missile targeted at the susceptibilities of other less progressive unions.

Eric Hammond, EETPU general secretary, says the publication is "a permanent feature of *our organisation's varied efforts* to improve communications in British industry."

That means in practice that, for the second year running, the prime inside front cover advertising space is taken by News International – which only last week revealed plans to formalise its non-union status for its production employees.

This year, though, the EETPU goes even further. Included in a selection of guest contributors is a piece from Sir John Hoskyns, director-general of the Institute of Directors.

Praising the EETPU's controversial strike-free, single-union agreements, Hoskyns uses his space to urge the government to bring in legislation to prevent strikes in essential service industries.

Stayers

The terms of office of the City's two chief regulators, Sir Kenneth Berrill and Robin Leigh-Pemberton, both come to an end in the middle of next year – *and both* are keen for their appointments to be renewed.

But Leigh-Pemberton, at the Bank of England, is also believed to be less than keen to see his counterpart at the Securities and Investments Board reappointed.

Leigh-Pemberton, together with the trade and industry Secretary Lord Young, has the final *responsibility* for deciding whether or not to renew Berrill's appointment.

The tension between the two men has steadily risen. On several occasions in recent months, Leigh-Pemberton has dropped hints in public, and made more direct comments in private, which are strongly critical of the SIB and the complexities of its rule book.

However, the intellectual rigour of his critique of the new regulatory regime is being treated with less than wholehearted respect not only by off*icials advising* Lord Young at the trade and industry department but also by some of his own officials at the Bank.

Leigh-Pemberton's own five-year term expires at the end of June. An *announcement is* expected from the Government before the end of the year.

Berrill, whose term expires at the end of May, may have to wait longer for a decision. But it is doubtful whether Leigh-Pemberton alone, even if reappointed, will carry enough weight to veto his reappointment.

Sharon's party

Guarded round-the-clock by a dozen policemen, Arik "Bulldozer" Sharon, Israel's industry and commerce minister and former defence chief, is throwing an open house party tonight at his controversial new residence in the Moslem quarter of Jerusalem's old city.

Among those who have already said they will not attend the right-winger's pre-Hanukka festivities is the city's veteran mayor, Teddy Kollek. He has denounced the whole event as a publicity stunt, and "a political act".

A challenger for the leadership of the Herut Party of prime minister Yitzhak Shamir, once the ageing Shamir steps down, the Bulldozer is a dab hand at self-publicity. "He has no ideology, his ideology is himself", a former close aide recently confided.

Following the Sabra and Chatilla camp massacres of September 1982, in Beirut, he was forced to step down as defence minister while at the height of his power. But as industry minister for the past three years Sharon has to a large extent managed to rehabilitate his tarnished image with the public, severely damaged by his role in the Israeli invasion of Lebanon.

On record as advocating the formal annexation of the occupied West Bank and Gaza Strip, the one-time dashing paratroop *commander has been trans*formed – with the help of a judicious dose of patronage – from being "the terror of the Arabs" into "the businessman's friend".

Just how many of those friends turn up tonight *at his* housewarming party in the heart of the old city, where a number of Jews have lately been attacked, will be interesting to see.

Bull market

While we have become accustomed to the idea of *glasnost* it is, nevertheless, surprising to learn that the Kremlin's military advisers in Kabul are calling upon British and French manufacturers to put a shine back into the demoralised *troops of* the Afghan army.

They have turned to the Kiwi company for help, placing an order for 1m tins of boot polish. Kiwi Products (UK) based at Honley, Huddersfield, expects to fulfill half the order, with the rest being produced by Kiwi France.

Elite army units of the US, France, and Britain, already use this particular polish to maintain pride and morale. Indeed, the British armed forces have used Kiwi since the 1914-18 war – the Naafi *spends more than* £200,000 a year on it.

Steve McCormack, factory manager at *Huddersfield,* says the Army chooses Kiwi because it produces the best shine, and his *workforce* of 54 will be happy to make the polish for the Afghans.

It will be interesting to see if the Americans object to the deal by classifying boot polish as a "sensitive" export item.

Kiwi would be able to argue in defence of its big order that the polish is for ceremonial applications. Troops in the battle line are now discouraged from "bulling" their boots to a bright shine because the reflective toe-caps show up on radar and other surveillance equipment.

On the other hand the Americans might argue that a *smart soldier is a better soldier . .*

Safe launch

The district council of Glyndwr which is spending *£150,000 to attract holidaymak*ers to its delectable corner of north Wales, is making sure every penny goes into the project.

When it launched a three-year tourism project at Chirk Castle, the Welsh border fortress yesterday, guests toasted the new initiative in water.

Phil Durrell, deputy planning officer for Glyndwr District Council, explained that the intention was to stress the importance of the government's Christmas message Don't Drink and Drive, and to show that *Glyndwr is saving every penny* to spend on tourism.

"It is very special spring water", he hastened to add, "Decantae, from the Clwyd hills".

Ironically the district is *named* after Owain Glyndwr who in the 15th century chased the English out of Wales. Now the Welsh want to bring them back – if only for holidays.

Too much to ask?

A reader tells me of a card in a south London shop window, "Trade unionist wants to buy press cuttings or transcripts of speeches by Arthur Scargill. Must be reasonable."

Observer

Letters to the Editor

Dice loaded against chips

From the Director-General of the Electronic Components Industry Federation.

Sir, In your leader on the semiconductor industry (December 2), you refer somewhat disparagingly to "the assertion that micro-electronics is not only vital to a wide range of other industries but is a key factor in their competitiveness," and continue: "Hence, it is claimed, an investment in advanced chip technology drives forward the whole of the rest of the economy. However the argument is dubious."

If your dubiety relates to the key role of micro-electronics in the economy, you adduce no reasons - and I doubt if the preponderance of informed opinion, not least in the industries using micro-electronics, would share your doubts.

Given the unique importance of micro-electronics, the European Electronic Component Makers Association (EECA), of which this Federation is the UK member, believes there is an overwhelming case for seeking to ensure that Europe has its own world-competitive capability.

The UK semiconductor industry is more than willing to take part in a European programme to this end, and I do *not* believe any member of it would for a moment "hope to survive exclusively on domestic sales" (more of your disparaging words).

But it must be recognised that the UK industry does not enter such European endeavours from a position of strength compared with its competitors - whose governments, recognising the fundamental importance of micro-electronics, have by direct and indirect means distorted the market to the advantage of their own industries - and to considerable effect.

The UK industry is not asking for protection; it can and does compete; but the dice have so far been heavily loaded against it by government policies.

Richard H.W. Bullock,
ECIF,
7-8 Savile Row, W1

Software funding was well spent

From Mr Martyn Thomas.

Sir, The software engineering component of the £350m Alvey programme of information technology research has focused on CAD tools to improve software productivity, and on mathematical design methods to improve quality.

As a result, the UK now leads the world in the development and application of this technology, which gives many UK industries a strong competitive advantage in world markets for products which incorporate microprocessors.

The economic benefits of this achievement could be considerable. Indeed, Brian Oakley, who until recently directed the whole Alvey Programme, has written that mathematically formal design methods will revolutionise software development, with an economic impact as great as the revolution in civil engineering in the last century. I wholeheartedly support this view.

In this context, the forthcoming report from the London Business School, described by you on November 23, seems incomprehensible.

It is certainly not true that "Alvey has misdirected resources into an area of software which is unlikely to shape the industry," which is what you quote the report's author as saying. I can only conclude that either the extracts from the report have been taken out of context or, reluctantly, that the report's author does not understand either the technology or the industry.

I would normally wait until a report had been published in full to comment on its contents, but in view of the impending and very important decision on Government funding of a follow-on research and development programme, I feel impelled to correct the misleading impression given of the success of the present programme.

Martyn Thomas,
Chairman, Praxis Systems
20 Manvers Street,
Bath, Avon

Problems cannot be wished away

From the Director-General of the Confederation of British Industry.

Sir, I have read Mr Irvine Patnick's letter of December 4 with interest and no little concern. Business rates now cost over £7bn a year; and it would be unfortunate, to put it no higher, if the debate in Parliament on the proposed changes is not properly informed.

The Government's proposals represent a distinct advance to the extent that business is protected against future real increases in rates. Since non-domestic rates have risen in real terms by some £2bn (34 per cent) over the last six years this is an important improvement.

But the introduction of a uniform business rate (UBR) poses serious problems that cannot simply be assumed away by political rhetoric. To identify but a few:

The proposed level of UBR consolidates existing waste and inefficiency within local government. At a time when business needs to retain more money for investment, it cannot make sense to be paying some £2bn a year for services that are not received.

Following revaluation, there will be a transfer of some £430m, at 1986 prices, of resources from the rest of the country to the east Midlands and the north. But using property values as a means of promoting regional development is an extraordinarily crude and wasteful approach.

Business rates following revaluation will rise sharply (by 30 per cent or more) in precisely those areas which have tried hardest to manage their affairs responsibly in the past. A policy of penalising success rarely works.

Competition among authorities to attract inward investment and jobs on the basis of their careful husbandry will be eliminated. Business rates will not reflect the level and quality of local services.

The Government's proposals do not represent the only way forward. The CBI has published its own ideas, as a contribution to the debate on this subject. We believe that the problems with the UBR can be resolved, within the framework of the Government's Bill and without an added burden on the Community Charge. Our proposals reflect the following basic propositions:

1. The Government's housing and education legislation will be enacted into law. Following this, business ratepayers should no longer be required to subsidise council house rents; and some form of direct Exchequer grant for secondary education will be required in the light of the opting-out proposals.
2. Business rates should cover the cost of local services to business only; they should not be used as a means of raising revenue, since they take no account of ability to pay. If the Exchequer seeks to tax business, corporation tax is the way to do it.
3. Rate subsidies are a wasteful and ineffective way to promote manufacturing and regional economic development. Other more focused measures would be more appropriate (the CBI has a long list of ideas).
4. Market forces should operate where markets exist. It is worth remembering that the private sector already provides the bulk of housing and leisure services, and accounts for a growing share of residential care for the elderly.
5. Local authorities should be encouraged to compete among themselves for inward investment; and there should be strong links between authorities and the local business community.

The CBI is concerned to see progress in closing the substantial investment gap with our main international competitors. However, increases in public expenditure are still crowding out private sector investment: over the last three years the Government has taken away in corporation tax almost 60 per cent of the increased profits of companies (other than North Sea oil), as compared with only 20 per cent of the extra earnings of people.

Finally, Mr Patnick is at least right on one point. The household bill for Liverpool shown under our proposals is indeed "bizarre": Liverpool was the one local authority where the figures submitted to the Chartered Institute of Public Finance and Accountancy for 1986-1987 were incomplete and so no sensible conclusions can be drawn from them. However, the estimates of the household charges in other deprived areas remain - and for some reason Mr Patnick has chosen not to comment on them. They show that, if the Government proposals had been in force in 1986-1987, the difference in the average payment per household in community charge from the actual domestic rate would have been:

Extra payments per household under the community charge:
Deprived areas +£171 (+39 per cent)
Prosperous areas +£147 (-34 per cent).

John M.M. Banham,
CBI,
Centre Point,
103 New Oxford Street, WC1

Scots seek some recompense

From Mr G.A. Mackay.

Sir, I do not substantially disagree with James Buxton on Scotland (December 4), but there are three comments I should like to make.

First, he remarks on the low level of entrepreneurship and the dependent attitudes of many Scots. There are many entrepreneurial Scots living in England, North America and elsewhere. One of our major failures is our inability to keep many of our brightest business brains in Scotland. As long as the high level of emigration continues we shall always be struggling in some industrial sectors. (Even the Glasgow Rangers Football Club has had to resort to importing ageing English footballers.)

Second, economic policy as articulated by bodies like the Scottish Office and the Scottish Development Agency discriminates against indigenous firms. The emphasis is very much on the attraction of inward investment and, more recently, new business starts.

Third, it is inevitable in a country like ours that certain policies in the interest of the United Kingdom are not necessarily in the interests of individual nations like Scotland and Wales. The rapid development of our North Sea oil and gas reserves is an example.

It is perfectly fair and understandable for Scots to seek some adjustment or recompense for such inherent conflicts of interest, for example through an effective regional policy. That is not moaning or feeling sorry for ourselves.

G.A. Mackay,
Balloan House,
Inverness

Sympathy for Scots, but not much

From the Leader of Humberside County Council.

Sir, I note your report (November 30) that three quarters of all Scots interviewed felt that the Thatcher Government does not care about Scotland.

In support for industry and industrial development the Government gives much more to Scotland than to any of the English regions. In Humberside we wish that the Government would care for us as much.

I know, having campaigned for three years for a Minister for the North in the Cabinet to counter the North/South divide, alongside the Secretary of State for Scotland, that this Government cares less for the deprived English regions than it does for Scotland.

The Scots have my sympathy, but not much.

T. Geraghty,
County Hall,
Beverley,
North Humberside

NHS needs clearly defined aims

From Mr Christopher E. Gallop.

Sir, I am prompted to ask why your leader writer believes (December 9) that yet a further round of structural reforms of the NHS - and it would be the fourth in 15 years - is likely to produce any more satisfactory results than the previous three. In my opinion all of the past reorganisations have failed to address, or, worse, have exacerbated the two central problems faced by those trying to manage the NHS.

These are, first, that although everyone believes that they know what the NHS is for, it is in fact almost wholly lacking in clearly defined and stated overall aims and objectives. This has long been recognised as a highly unsatisfactory state for a commercial organisation to be in - it is no less dangerous for the NHS.

Second, the whole structure of the organisation is permeated with medical staff, with no management skills or training, in positions of management responsibility or influence. In many cases these doctors and nurses deeply resent the management burden which the organisation imposes on them.

The solution is there, within the NHS itself, in the highly effective and rigorously selected and trained group of specialist NHS management staff. But unless the Government summons up the political will to place NHS management firmly in the hands of NHS managers, there will be no point at all in subjecting the NHS to the disruption of yet another set of structural reforms.

Christopher Gallop,
78 Hamilton Road, SW19

Crocodile on the menu

From Mr Frederick O. Marsh.

Sir, I read with interest your correspondent's suggestion (December 1) that, with the rising demand for fish, there may be scope for alligator *bonne femme.*

On a recent visit to Zimbabwe I sampled crocodile tail *a la meuniere* and broiled crocodile tail at hotels both in Victoria Falls and Harare. These gourmets' delights are superior both in taste and appearance to the dark, rather tough North American alligator meat.

This could be because the Zimbabweans farm and "hand-feed" their young crocodiles. It was suggested to the Zimbabwean authorities that their farm output should be increased in order to meet the increased demand from overseas importers, as well as making a positive contribution to their export trade.

Frederick Marsh,
Marsh Business Services,
Suite 4,
40 Buckingham Gate, SW1

When you wish upon a star...

From Mr L. Reich.

Sir, Potentially the most useful of British Telecom's Star Services, now available on the new electronic exchanges, is that of being able to divert incoming calls temporarily to another number. In the half-year that I have been an unfortunate customer, the system has been "on fault," that is, unusable, on more than 20 occasions.

Do not throw out your telephone answering machines yet!

L. Reich,

15 Newton Street,
Manchester

The net result would be reduced parental choice

From Dr R.T. Loeffler.

Sir, The Education Reform Bill in its present form will do little to remedy the problems you point out ("New direction in education," November 23).

The National Curriculum is not very different from the list of subjects offered at a typical grammar school such as the one I attended over 20 years ago, before the school went comprehensive; one concludes that the subjects in the National Curriculum are geared to the "academically-inclined" pupils. A token inclusion of an undefined subject called "technology" will not cure this; moreover, Mr Kenneth Baker has already diluted the science component of his curriculum. A comparison, against my own experience, of the distribution of time between the subjects mentioned in the consultation paper shows that, actually, less time will be devoted to science than 20 years ago.

In my observation, most parents are opposed to the "opting-out" proposals both on principle and because they regard such a system as unworkable. The extra *responsibilities placed on governing* bodies under these proposals (and the related ones, on financial delegation to schools) will make it much more difficult for average parents to become involved in the running of their children's schools. (And I simply cannot see most governing bodies of schools being able to cope with the complexities of running a school's finances. Would they then employ accountants at the cost of having to reduce the teaching staff? Is this likely to improve educational standards?)

Although the Bill applies to the whole period of compulsory education, most of the thinking behind it - and virtually all the discussion, including your editorial - views education from the standpoint of secondary schools. Many of the proposals - for example, the National Curriculum - are almost inapplicable to primary schools (and financial delegation would be disastrous because of primary schools' smaller size.)

Many parents view "opting out" with dismay because they fear that it could herald the re-introduction of selection in education. The "opting out" proposals will also tend to fossilise existing inequalities between schools in such matters as availability of playground space. One of the main planks of all legislation on education has always been equality of opportunity: this Bill goes a long way towards destroying this ideal - an ideal no less valuable for the fact that like many, it has not become a reality.

Another undesirable feature is that "popular" schools would be expanded yet further at the expense of "unpopular" ones, which would presumably have to close. The net result, of course, would be *reduced* parental choice - the opposite of what is, according to Mr Baker's rhetoric, the mainspring of his proposals. Parents know that a school "popular" with parents results in overcrowded classes and inadequate facilities. This would be no different if the Department of Education and Science were the paymaster rather than the local education authority.

The Bill, if passed, will achieve exactly the opposite of what it purports to achieve. Furthermore, there is a serious danger that school governing bodies could be taken over by small cliques, to the detriment of the education of the great majority of the children.

I resent the implication in your article that parents who do not support opting out are not concerned about their children's education. It is because we are concerned about our children's education that we do not support opting out. I concur with your view that in the end it is only the teachers who can provide the education service. It is right for the DES to be involved; a national system is a good thing; parents and the local community should be more closely involved; as you say, education is too important to be left to the teachers. But I am convinced that reform could be achieved using existing legislation, including the 1986 Education (No.2) Act. Many of its provisions have yet to be implemented. I fail to see the need for extreme measures such as those proposed.

Finally, I must dissociate myself from those unspecified parents who, Mr Baker claims, support the kind of measures he is proposing. I would like to challenge Mr Baker to produce any evidence that substantial numbers of parents want to see the kind of change he is proposing in the Education Reform Bill.

R.T. Loeffler,
69 Harcourt Road,
Redland, Bristol

If intended for publication, letters to the Editor should include, where possible, a daytime telephone number.

FOREIGN AFFAIRS

Barriers to a non-nuclear Europe

Edward Mortimer examines why the superpowers' dream is a nightmare for some Europeans

OFFICIALLY, all European governments welcomed last week's treaty doing away with intermediate nuclear forces (INF). But then each hurried on to prescribe an agenda of steps that *should* follow, clearly hinting at anxieties about less favourable scenarios which otherwise *might* follow.

As usual, it is in France that these anxieties have been most fully and luridly spelt out. Alain Peyrefitte, the veteran Gaullist leader who now edits Le Figaro, claimed last week to detect "a whiff of Yalta".

"Already in 1945," he wrote, "an aged and weakened US president had abandoned one half of Europe ... and now once again an aged and weakened American president is persuading himself of the Soviet empire's benevolence. Is he preparing to abandon to it the other half of Europe?"

That is vintage Gaullism. To suggest that Roosevelt "abandoned" eastern Europe to Stalin at Yalta is a travesty of the historical record, and to insinuate that Reagan is now preparing to "abandon" western Europe to Gorbachev is, if anything, an even greater absurdity. What is true is that Roosevelt for a time persuaded himself that he and Stalin had forged a good working relationship, which could be maintained after the war was over and become the linchpin of a stable and peaceful world order. He articulated and encouraged an American wartime mood of cheerful camaraderie with "Uncle Joe" and "our great Soviet ally".

That mood may not have been shared by de Gaulle, but it was certainly not unknown in Europe at the same period. Few west Europeans, however, went all the way with the obsessive anti-Communism that gripped the US soon afterwards in the days of Senator Joe McCarthy, and few in more recent times felt entirely happy about Mr Reagan's public denunciation of the Soviet Union as "an evil empire".

It is the extreme volatility of US public opinion – exaggerated rather than softened by the public utterances of its leaders – which unnerves many Europeans. As Mr Peyrefitte writes, "the Americans have passed from anti-Communist hysteria to the hysteria of the 'Gorby-show'." But when he goes on to assert that "where President Reagan denounced a few months ago the 'empire of evil' he now sees the incarnation of good", Mr Peyrefitte surely betrays an anti-American hysteria of his own.

As Hans-Dietrich Genscher, the West German Foreign Minister, said in a recent speech, "those in Europe who emit the wrong signals to the United States take on a heavy responsibility". In particular, one might add, those Europeans who profess to fear American "abandonment" of western Europe would do better to avoid reacting to every twist and turn of US policy, whether towards confrontation or detente, with theatrically exaggerated shrieks of horror.

A much more carefully phrased and argued version of the same thesis appeared in the same newspaper the following day, written by Francois Leotard, *who represents a new generation* of moderate conservative politicians in France, closer in outlook to their contemporaries in Britain and West Germany. Mr Leotard currently wears the slightly Orwellian label of Minister of Culture and Communication, but would have been Defence Minister had not President Mitterrand vetoed him on grounds of inexperience. Last week's article looks like an attempt to reassert his qualifications for the post.

Europe, writes Mr Leotard, has no reason to rejoice over the *INF* agreement, which is "*useless*, and even *dangerous* for her security" (his italics). Useless, he says, because it leaves intact the Soviet arsenal of long-range missiles which, of course, can hit western Europe just as easily as they can hit the US; dangerous because it makes the threat of US nuclear retaliation against a Soviet invasion of western Europe less credible, and because it is bound to increase the pressure for a complete denuclearisation of the region.

The first two of those three arguments do not strike me as convincing. If Soviet medium-range missiles posed no additional threat to western Europe, why were they deployed and why did western Europeans make so much fuss about them at the time? Answer: they seemed more threatening to this region precisely because they did not directly threaten the US; therefore, they raised the spectre of a nuclear war in Europe which the US would be able to stay out of – that is, one which Soviet leaders might just possibly believe they could survive. From that point of view, the deployment of American medium-range missiles *in Europe was* a reply to the Soviet SS20s, and has now achieved its object by securing Soviet agreement to destroy them.

It is true that it was also supposed to add credibility to the notion of flexible response, precisely by giving the US president *the theoretical option of retaliating* with a nuclear strike against Soviet territory without going all the way to an intercontinental exchange. But that argument is unconvincing both to the layman and to many *military theorists. What US president would* ever really believe that, in ordering a nuclear strike against Soviet territory, he was not exposing his country to retaliation? And what Soviet leader would base his decisions on the assumption that that was how the US president would think?

Mr Leotard's third argument, that the agreement could be a first step towards the denuclearisation of Europe, is more serious, especially in view of the stated long-term aim of both Mr Reagan and Mr Gorbachev to achieve a non-nuclear world. (*They seem only to be divided* on whether the deployment of anti-missile defences in space would be a step towards that goal or away from it.) It is not so much an argument that the agreement is bad in itself, as a warning that Europe should be on its guard about what comes next.

Of course many people, not in *France perhaps but in other west* European countries, will ask why the denuclearisation of Europe is not something to be devoutly striven for. The easy answer is that a nuclear deterrent is essential to western Europe's security so long as Nato's conventional forces are heavily outnumbered in Europe by those of the Warsaw Pact, and especially so long as the structure and equipment of the latter are clearly designed for offensive rather than defensive war.

That should make it easy for west European governments to *insist on eliminating* the conventional imbalance before going any further down the road of nuclear disarmament in Europe. Many recent Soviet statements, including the new military doctrine defined by the Warsaw Pact leaders at their meeting in East Berlin last May, suggest that *negotiations on this basis* are worth pursuing and that the new Conventional Stability Talks should be something better than the old Mutual and Balanced Force Reduction Talks writ small. But it would be unwise to take this for granted; and the chances of success will surely be *improved if western* Europe makes a convincing display of willingness to redress the balance by improving its conventional defences unless or until agreement is reached – just as, to get Moscow to negotiate seriously on INF, Nato had first to prove its willingness to deploy cruise and Pershing-2 missiles.

The more awkward question will arise only if and when an acceptable conventional balance is achieved. At that point the argument for complete nuclear disarmament will seem very seductive. The main argument against it will be drawn from Europe's memory of the pre-nuclear age, and from the more recent experience of parts of the world like the Gulf where nuclear weapons are not yet deployed. Both tend to suggest, as Francois Heisbourg, director of the International Institute of Strategic Studies, has reminded us, "that there is no such thing as a *stable* conventional balance".

To abolish nuclear weapons altogether would "make the world *safe* for conventional war", whereas no one would ever start a war knowing that they ran the risk of nuclear retaliation. So runs the argument, but I foresee difficulties because none of Europe's statesmen really behaves as if he believed it. If any did, surely he would advocate the widest possible distribution of nuclear weapons, including to countries such as Iran and Iraq where the need for an effective deterrent is most acute. But somehow even the French Government, which admittedly is lucid enough to refuse to sign the Non-Proliferation Treaty, has not yet gone all the way to that conclusion.

FINANCIAL TIMES

Tuesday December 15 1987


Israeli soldiers drag a Palestinian youth from his house following violent demonstrations in the Gaza Strip town of Khan Yunis. He was taken to a nearby alleyway and beaten, then collapsed (right) while being led to an army truck

Palestinian death toll rises in Gaza riots

BY ANDREW WHITLEY IN JERSUSALEM

A WEEK-LONG wave of violent disturbances in the Israeli-occupied territories showed little sign of diminishing yesterday as another Palestinian was shot dead by the army in Gaza, bringing the confirmed death toll to eight.

The violent clashes in Gaza are described by UN relief workers as "the worst in 20 years" since Israel captured the area from Egypt in June 1967.

Evidence is growing, meanwhile, of brutal reprisal beatings by tough Border Police re-inforcements sent in to restore order at the end of last week.

Doctors said that since Friday dozens of Palestinians had been admitted to hospitals in the Gaza Strip and West Bank with broken limbs and severe bruising. Eye-witnesses have also reported widespread acts of indiscriminate vandalism inside refugee camps and hospitals by the paramilitary Border Police, many of whom are members of the Druze minority.

On Sunday, Mrs Felicia Langer, a left-wing Israeli lawyer, demanded that Mr Yitzhak Rabin, the Defence Minister, look into the specific case of two Palestinian journalists badly beaten by soldiers at the Bureij refugee camp in Gaza the previous day.

The army confirmed yesterday that the various allegations of mistreatment - described privately by senior officers as "serious" - were being investigated, but would give no more details.

If the violent clashes were not bad enough, the Israeli economy is also having to contend with a prolonged work stoppage by Palestinian day labourers, in protest against the army's behaviour.

Most of the 100,000 Palestinians who come to work every day in Israel from the West Bank and Gaza - but are prohibited from sleeping overnight - stayed away from their jobs yesterday. The boycott, accompanied by a commercial strike, began in Gaza last week but has now spread to most West Bank towns and villages.

In a concerted effort to dampen feelings in the occupied territories and calm the nerves of their own populace, army commanders and Israeli political leaders busied themselves over the weekend, denying that the situation was getting out of hand, or could be approaching a civil insurrection.

A senior army officer had earlier confided to Israeli journalists that Palestinians in the territories might soon feel they had nothing to lose by all-out protest.

Lange attacks return of French agent

BY GEORGE GRAHAM IN PARIS AND DAI HAYWARD IN WELLINGTON

MR DAVID Lange, the New Zealand Prime Minister, lodged a fierce protest yesterday at the repatriation of a French agent convicted of complicity in the bombing of the Greenpeace vessel, Rainbow Warrior, in Auckland harbour two years ago.

Commandant Alain Mafart, one of the two secret service agents involved in the attack on the Rainbow Warrior and the killing of a Portuguese photographer on board, has been flown back to France for medical treatment.

Mr Mafart was released by the New Zealand authorities on condition that he remained in internal exile on the French South Pacific atoll of Hao.

Mr Lange said the repatriation of Mr Mafart was a "flagrant and scandalous violation" of the agreement between the two countries under which France paid $7m in damages to settle the Greenpeace dispute.

However, the French Government said that repatriation for urgent medical reasons was compatible with a parallel verbal agreement between the two countries. New Zealand will demand the agent is sent back to serve the remainder of his sentence as soon as his medical condition allows.

French officials said they thought the row would blow over after Mr Mafart had been examined by a New Zealand doctor, who flew to Paris yesterday.

The New Zealand Greenpeace organisation said the move was typical of France's high-handed attitude towards the South Pacific.

France's relationships with both New Zealand and Australia have been of barely veiled hostility for some years. The two South Pacific powers resent French nuclear tests on the Mururoa atoll, as well as France's continued hold on territories such as New Caledonia and Tahiti.

Earlier this month the United Nations general assembly voted against France on the territorial question, calling for independence for New Caledonia.

The still simmering Greenpeace affair has merely added to this hostility. New Zealand officials are angered by France's apparent lack of repentance over the Rainbow Warrior bombing.

Both French public opinion and the administration have remained firmly on the side of the convicted secret agents and Prime Minister Jacques Chirac even visited them in their South Pacific exile earlier this year.

Patriotic approval for the Rainbow Warrior bombing has even driven the French branch of the Greenpeace organisation out of business. The ecologist group announced yesterday that it had "provisionally suspended" the French branch's operations.

Many of France's already rare ecologists have withdrawn their support for an organisation now perceived as anti-French and several of Greenpeace's staff have formed a rival splinter group.

The Rainbow Warrior was finally put to rest last Saturday when it was scuttled a few miles off the New Zealand coast.

Arco told to halt plans for Britoil stake

BY MAX WILKINSON IN LONDON AND JAMES BUXTON IN EDINBURGH

ATLANTIC RICHFIELD, the major US oil company, has been told by the British takeover authorities that it cannot build up a 49.9 per cent stake in Britoil without proceeding to a full bid.

The two companies had agreed an arrangement whereby Atlantic Richfield (Arco) would build up a 29.9 per cent stake in the UK oil independent and then swap oil assets for a further 20 per cent of Britoil's equity. The agreement was in response to an attempt by British Petroleum to tender for 29.9 per cent of Britoil, probably with a view to making an outright bid. Britoil had said the arrangement with Arco would guarantee its independence.

However, the UK Takeover Panel has said Arco would be obliged to make an offer for 100 per cent of the equity as soon as it had gained more than 30 per cent. The fact that the two companies have had talks about an asset swap would preclude Arco from obtaining a waiver under present takeover rules, the companies have been told.

Yesterday, Britoil's share price rose to 378p in early trading, 28p above the price which Arco is tendering for 29.9 per cent of the company. The market is now waiting for a counter-offer from BP, which has bought 15 per cent of the shares and has said it will top Arco's present offer for a further 14.9 per cent. BP's moves are considered to be the prelude to a full bid for Britoil, provided the British Government does not use the power of its "golden" preference share to prevent a takeover.

Yesterday, at a press conference at Britoil's headquarters in Glasgow, Mr Lodwrick Cook, Arco's chief executive, said that if BP launched a full bid, "we would give very full consideration to a similar move."

Arco intended to continue with its plan to acquire 49.9 per cent of Britoil. "We are very determined," he said.

He envisaged a situation in which both Arco and BP would each have 29 per cent stakes in Britoil. Arco, which already held 8 per cent of Britoil shares, would proceed with the assets swap arrangement.

Mr David Walker, chief executive of Britoil, said the proposed exchange of assets with Arco would mean a much enlarged production and exploration portfolio for Britoil.

He said there could be difficulties if BP acquired a 29 per cent stake and wanted to have representatives on Britoil's board. Conflicts of interest could arise if both companies were seeking licences in the same areas.

Bid to halt sliding $

Continued from Page 1

a half. In terms of the D-Mark, the yen or Australian dollar, the value of gold was little changed, analysts said.

In the US, business economists expect growth in the economy to slow in 1988 but they also expect lower inflation, according to a survey published by the National Association of Business Economists yesterday. The survey, taken before the stock market crash of October 19, said that 43 per cent of economists expected a recession in 1988.

Mr Volcker said at the weekend that he thought too much emphasis was being placed on a lower dollar to turn around the record merchandise trade deficit, and not enough on "fundamental measures."

Mexico in economic upheaval

BY DAVID GARDNER IN MEXICO CITY

THE MEXICAN Government yesterday devalued the peso by 22 per cent against the dollar, the first measure in a radical anti-inflation programme which President Miguel de la Madrid was expected to announce to the nation last night.

Under the programme, the exchange rate will now be fixed, there is to be a renewed assault on the ballooning budget deficit and Mexico is to open its frontiers to imports as a way of controlling prices, currently rising at an annualised rate of 144 per cent, according to officials and analysts.

One-off price increases on public sector goods and services, such as a 130 per cent rise in the cost of petrol, are expected to increase revenue by the equivalent of 3 per cent of gross domestic product (GDP), while budget cuts equivalent to 1.5 per cent of GDP are planned, including the closure of Aeromexico, the flag airline, and a cut in the public sector payroll of up to 200,000 people.

The package as a whole is a variant of the so-called "heterodox shock" plans attempted in 1985-86 to combat hyper inflation in Brazil, Argentina and Israel.

The standard "heterodox shock" model combines a prices, incomes and exchange rate freeze with budgetary correction, in contrast to the traditional anti-inflation programme of the International Monetary Fund, which concentrates almost exclusively on tight monetary and fiscal policies.

The main variation in the expected package is that instead of price controls, import tariffs will be reduced across the board from an average 30 per cent to 10 per cent, and businesses which raise prices from now on will have even this protection removed.

Barbara Durr reports from Lima: Peru devalued its currency nearly 40 per cent in an effort to stimulate exports and raise dwindling foreign reserves.

The official exchange rate rose from 20 Intis to 33 Intis to the dollar, a 39.4 per cent devaluation.

The Central Bank also announced that in the New Year, the exchange rate for importers and exporters would be adjusted monthly on the basis of 85 per cent of the consumer price index for the previous month.

World Weather

Crude oil prices plunge

Continued from Page 1

specific reference to prices, merely saying that they should be kept at current levels and that the five-man ministerial pricing committee should call an extraordinary conference if market rates deteriorate seriously.

The possibility that the accord might be rejected by Iran could not be ruled out yesterday.

Saudi Arabia and Kuwait, Iraq's closest Arab allies in the Gulf conflict which has increasingly bedevilled Opec, appeared to be determined to receive a positive reply from Mr Aghazadeh.

The "rolled-over" production-sharing pact sets an overall limit which was first agreed here last summer. The production quotas for each member were established a year ago in Geneva. The agreement is to be reviewed at the next scheduled biannual conference in Vienna next summer under the present understanding.

Several countries not involved in the Gulf conflict – Nigeria, Venezuela and Indonesia – had opposed the idea that Iraq should be allowed to produce as much as it could export, but on Sunday night their opposition seemed to evaporate.

Peking put to test as basement store goes under

By Colina MacDougall and Steven Butler in Nanchang

THE NANCHANG Underground Department Store has gone under for good. Frustrated by the store's repeated losses and under pressure from its creditors, the local authorities last November declared it bankrupt.

But the affair remains hotly disputed. It was only the second bankruptcy in Communist China and the controversy surrounding the event shows why there have not been more.

After liquidating the old store by bravely trying out a trial bankruptcy law approved by the standing committee of China's National People's Congress, the country's parliament, the authorities found a bright new manager, Miss Wu Meixiang, who moved the store into daylight and renamed it the Liberation Road Department Store.

There is still a dingy, mouldy staircase leading into the dungeon-like confines of the old store, originally dug out as an air raid shelter during the Maoist era.

China's leaders have been trying to implement some form of bankruptcy law to put pressure on loss-making enterprises. However, the concept of bankruptcy does not sit easily with state ownership of the means of production, and has been resisted because workers could lose their jobs, possibly through no fault of their own.

The provisional bankruptcy law was to take effect three months after the enactment of a broader enterprise law which has yet to be approved. However, local authorities did not want to wait.

Alarmed by the accumulated losses of the store, they moved to liquidate it, after seeking clearance from the NPC and China's Supreme Court.

When the highly influential Mr Bo Yibo, one of China's ageing conservative leaders, caught wind of a Japanese news report about the store, he became alarmed. Suspecting that local authorities had infringed the law, he immediately demanded an explanation.

Mr Bo's actions illustrate the difficulties that local authorities may face when experimenting with new policies.

Mr Guo Jianzhang, an official of the Jiangxi Provincial Commission for Economic Restructuring, defended the actions of the local government. "He did not understand," Mr Guo said of Mr Bo.

The province was justified in taking action before the law took effect because the Supreme Court and the NPC had given prior clearance, Mr Guo said.

But the technicalities of the law may be somewhat beside the point: Mr Guo said that Jiangxi is not likely to experiment with another bankruptcy because of the problems encountered. The Underground Department Store had run up debts of 1.62m yuan ($435,200), only 730,000 yuan of which were repaid after liquidation.

Much of the store's food, clothing and household items had rotted and moulded in the fetid atmosphere of the old air raid shelter and expenses were extremely high. The local authorities decided drastic action was required.

The Nanchang branch of the Industrial and Commercial Bank was pressing for the repayment of loans from the Nanchang Municipal Food Corporation, a major supplier to the store and a guarantor of its debts. The Food Corporation had to cough up for 56 per cent of the 1.3m yuan of debts it had guaranteed. Another 150 creditors, mainly other suppliers, got nothing.

More troublesome than the losses, however, was the problem of what to do with the store's employees. For five months after the store was closed, the Food Corporation was forced to pay all workers 75 per cent of their original wages.

Miss Wu, who once worked in the old store, hired 106 of the former employees after her successful bid to take over the new store.

This left unsolved the highly-controversial problem of what to do with the remaining 52. The lack of any means of dealing with redundancies has now led the central government to reconsider the entire issue. "We shall not carry out any more bankruptcies through liquidation," said Mr Song Tingming, director of China's Commission for Restructuring the Economy.

"This year we've worked out a new bankruptcy method. We're solving the problem by amalgamating an enterprise in debt with a successful one."

The idea is that a profitable company would absorb the losses of a failed company and turn it around. This, of course, raises the question of why a successful company would ever consider taking on a bankrupt company whose debts exceed assets.

Mr Song, enthusiastically described his own experiences: "I've a schoolmate in charge of a food company who has taken over an enamel plant. He has turned it over to making cakes."

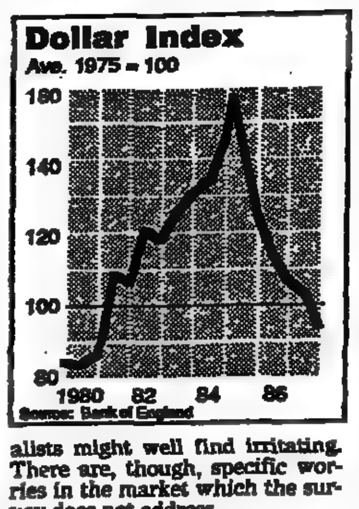
THE LEX COLUMN

Heading south for the winter

The dollar has still not found a new trading floor in the aftermath of last week's disastrous US trade figures. The White House tried again yesterday to convince the world that it is not seeking a lower exchange rate, but the markets remain highly sceptical. Although the dollar has fallen by three pfennigs and four yen over the last three trading days, there is a general sense that it still has further to go - a fear that is underlined by the renewed strength of the gold price and the four point drop in US long bonds over the last week and a half.

US interest rates have been firming recently and three-month Eurodollars are now trading at 8 1/4 per cent, a rise of 100 basis points since early November. This increase cannot be explained away solely by reference to the normal seasonal tightening in the money markets in the run-up to the year-end. But while there are signs that the Federal Reserve may be draining some of the extra liquidity which it pumped into the system in the aftermath of Black Monday in October, it is still far from clear that the US authorities are deliberately tightening monetary policy to bolster the dollar.

The cross-currents facing the US authorities will no doubt be well aired at today's FOMC meeting, and the Fed's operations in the money markets over the next few days may give some clue to their thinking. Yesterday's US industrial production figures for November fit in with the picture of a US economy that is surprisingly strong, and the combination of low US unemployment data and evidence that domestic wage rates and inflation may be accelerating could be used to support a tightening of US monetary policy. However, the US authorities have yet to demonstrate convincingly that they want to stem the dollar's slide. The feeling remains that this administration will opt for a lower dollar rather than risk recession.



UK economy

The market's response yesterday to a very bullish survey from the CBI will have done nothing to close the gap in sympathy between manufacturing industry and the City. Despite figures suggesting industry order books at record levels, equities spent most of the day straggling downwards in thin volume. This will reflect partly the market's pre-Christmas torpor, partly a dismissive attitude towards industry's views which industrialists might well find irritating. There are, though, specific worries in the market which the survey does not address.

Very few companies these days sound other than confident about their own prospects, but most will confess to nagging doubts on what the market crash might be saying about the wider economy. There are still clear memories of the over-investment which preceded the recession of the early 1980s, and any postponement of capital spending, even on the margin, is a recessionary risk in itself. The market is also particularly touchy about exchange rates: its reaction to yesterday's cautiously optimistic AGM statement from Glaxo, which mentioned in passing the extreme effects of currencies on present trading, was to knock the shares back to their post-crash low.

In one respect industry is certainly more robust than in the last recession. According to Warburg, the ratio of stocks to output in the UK is at its lowest since the 1950s, which is a valuable cushion in the event of any sudden downturn in demand. On the other hand, yesterday's strong figures for retail spending still point away from recession, a point not lost on the gilt market. No wonder fund managers are taking a break.

B&C

Why should a company with a considerable reputation for financial shrewdness wish to tie itself to 25 year fixed rate money at 11½ per cent? A first stab at the answer might be that British & Commonwealth's John Gunn is echoing the inflationary worries of the gilts market, hurrying to get in before interest rates resume their upward course. But Gunn's calculation of how to raise £100m for the acquisition of Abaco is neither so short term nor so transparent: to hear him tell it, 11½ per cent or 10½ per cent, it's all the same to him. Certainty is all.

So why decide on a straight sterling bond – a method favoured by few apart from property companies and investment trusts over the past year? For starters, forget equity: with the company's shares on a multiple of around eight, 11½ per cent money does not look dear. But B&C argues that there is a more fundamental calculation to be made: are the returns expected from the acquisition and the company's existing businesses healthily ahead of the cost of borrowing? If so, it is consistent to fix the rate now rather than wait for the ideal window, on the same grounds that it is sensible to make the acquisition now rather than wait for the market to fall.

Maxwell/Pergamon

An extraordinary general meeting scheduled for New Year's Eve will set seasonal warning lights flashing for any old hand in the market. When it transpires that the meeting has been called to approve an acquisition from a private company which owns over 50 per cent of the public company in question, that reflex suspicion might seem justified. Moreover Maxwell Communication Corporation's deal with the private Pergamon Group can hardly be described as cheap, on an exit multiple of about 35. Given that Pergamon's 51.3 per cent of MCC cannot be voted it may be a wise precaution to seek a low turn-out.

Despite the fact that Pergamon's mysterious coffers may indeed need a re-fill after Black Monday, the above would not be entirely fair to the MCC management or its major shareholder. The price of the electronic and book publishing businesses has, after all, been cut from £111m to £100m, in the light of October 19 and the falling dollar. Also, steep though the rating may be it ought to fall sharply; it is not too excessive by the sector's bloated standards (MCC acquired the Ladbroke magazines at a higher rating), and it is undoubtedly true that these businesses are worth a lot more to the owners of the Pergamon Journals. That said, it can still only arouse old suspicions when Pergamon sells MCC a major software supplier like Molecular Design only two months after it was acquired. Whatever view one takes of the strategic vision, MCC has a short-term problem, arising from the gap left by reduced dealing profits. Even on the current discount to the market the shares need that juicy yield.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday December 15 1987

Memorex International to buy Telex for $900m

BY ANATOLE KALETSKY IN NEW YORK

TELEX, the US computer peripherals company which has been fighting off a bid from Mr Asher Edelman, the New York corporate raider, is being bought for $900m by Memorex International.

Memorex, the world's largest independent supplier of plug-compatible peripheral devices for IBM computers, was spun off a year ago by Unisys and is now headquartered in Amsterdam.

The deal, signed on Sunday night, values each Telex share at between $61 and $62, yielding Mr Edelman and his partners a comfortable profit on the price of roughly $50 a share which they are believed to have paid for their stake of less than 10 per cent in Telex.

Telex has also agreed to pay the Edelman group $9.5m to settle outstanding litigation. This sum is designed to cover Mr Edelman's expenses in mounting his earlier tender offer for Telex.

Memorex Telex, as the new company is to be called, will be one of the world's largest manufacturers and suppliers of computer peripherals. Memorex, which has 5,600 employees worldwide, mostly in sales and customer support, generates 70 per cent of its revenues outside the US.

Telex, which has 8,000 employees, is primarily a manufacturer of computer terminals and printers, and derives most of its business from the American market. Memorex will mount a tender offer for 90 per cent of Telex, paying $56 in cash plus $6 in preferred stock for each Telex share.

The terms of the preferred stock, which will yield 14 per cent a year and will pay dividends in kind for the first three years, have been designed to provide a value of at least $5 a share in cash when the merger deal is concluded.

Although Memorex is already heavily burdened with debt because of the $550m management buyout in which it was spun off by Unisys, it appears to envisage no problems in financing the Telex acquisition.

The difficulty of raising new debt for highly-leveraged takeovers in the wake of the stock-market crash in October was believed to be one reason why Mr Edelman lowered his earlier offer of $65 a share for Telex to $55 a share.

An international syndicate of banks led by Morgan Guaranty is expected to lend $750m as soon as $200m of subordinated bond financing is arranged. Drexel Burnham Lambert has said it was "highly confident" of putting together the subordinated junk bond portion of the deal.

Hutton expects dismissals this week

By Our Financial Staff

E.F. HUTTON GROUP, the Wall Street investment bank being taken over by Shearson Lehman, expects to begin dismissing staff as early as this week, but declined to say how many.

The company would not elaborate on what portion of the company's 18,000 employees would continue to work for the firm once the merger with Shearson was completed.

On December 3, Shearson and Hutton announced a definitive agreement for Shearson to acquire all the outstanding stock of Hutton for $29.25 a share.

Hutton said the "bonus situation is proceeding," noting that Mr Robert Rittereiser, Hutton president, had said Hutton employees who were dismissed because of the merger would still receive a bonus.

It is understood that dismissed employees will also receive severance pay based on length of service to Hutton.

Employees with under five years' service will receive one week of severance pay for each year employed. Employees who have worked at Hutton for five to 10 years will receive two weeks of severance pay for each year.

John Wicks on a heavy industry that came back from the brink of bankruptcy

Taking mid-West power out of bankruptcy and into profit

AS RECENTLY as 1984, Consumers Power, the Michigan-based utility, seemed to be heading for bankruptcy. After investing $4.1bn to build a nuclear power station at Midland, the project had to be abandoned when it was 85 per cent complete.

Faced with heavy debts, a lawsuit brought by Dow Chemical and a loss of confidence on the part of investors, the company was saved only by a backdated rate increase approved by the state and an early payment of a fuel bill by General Motors.

Today, things look very different. CMS Energy, formed this May as a holding-company parent for Consumers Power, is running at a steadily increasing profit - $106.7m or $1.24 a share for the first three quarters - and in the process of retiring $1.9bn worth of debt, preferred stock and preference stock by 1991. Even more important is that a power station will be built on the Midland site.

The original project had difficulties from the start. It was announced in 1967, though work on the site did not begin until 1971.

Regulations governing the construction of nuclear plants became much more stringent following a fire at the Tennessee Valley Authority's Browns Ferry nuclear-power station in 1975 and the Three-Mile Island scare in 1979 - the Midland plant would have been a near-twin of that at Three Mile Island.

This was accompanied by successful lobbying in Michigan against rate increases and by local opposition to the new plant. This was intensified when it turned out that faulty civil engineering had landed the project with serious soil problems.

In the spring of 1983 Consumers Power told Dow Chemical, the major outside customer of the potential plant that it would be unable to meet the contractual deadline of the end of 1985 for steam deliveries.

Dow, which had itself invested $60m on the strength of the promise, sued, and Consumers counter-sued. By July 1984, Consumers had come to the point where it decided it would have to scrap the whole project.

New top management, with Mr William McCormick as chairman and chief executive, was appointed in 1985. The company took the decision in 1986 to convert the unfinished plant into a gas-fired station, the Midland Cogeneration Venture (MCV).

The plant will be the biggest of its kind in the US. It will produce up to 1,370 MW of electricity and 1.35m lb/hour of industrial steam, starting in early 1990. Sales will be to Consumers Power (of electricity) and Dow (steam and electricity).

CMS ENERGY'S FIVE YEAR RECORD

Year	Revs ($m)	Net. inc. ($m)	ROE (%)
1982	2,731	281	11.5
1983	2,974	348	11.9
1984	3,236	221	4.3
1985	3,298	-270	-
1986	3,108	178	3.4

MCV will be run as a partnership, with 51 per cent of the equity held externally. The remaining 49 per cent of CMS Energy itself will take the form of $385m worth of existing equipment.

The biggest of the outside shareholders is Dow, with a stake of $115m, equivalent to 10 per cent. The remaining equity lies with its suppliers.

According to Mr Joseph Paquette, CMS chief financial officer, "we made it clear to everybody, right at the beginning, that if they wanted to participate as a vendor, they had to make a contribution to the equity of the partnership". No-one had turned this down.

The trend in the US power industry was towards independent producers, likely to take the form of consortia and joint ventures and could well be partially financed by equipment manufacturers.

CMS Energy still has a substantial hang-over from the abandoned nuclear project. Only $1.5bn of the original investments can be used in the conversion to a gas-fired station. Of the rest, some $2.1bn will have to be covered over a 15-year period with the help of extra rates of $143m annually.

Prospects look good, however, particularly since the company will start earning from the MCV unit in little less than a year. Shareholders can expect a "fair return from year one," says Mr Paquette.

CMS Energy could well become something of a name on international capital markets. It has been raising short-term funds through Continental Illinois on the European commercial-paper market in recent months, and Mr Paquette says it is now considering a listing on the London Stock Exchange.

Between 3m and 5m of the company's common shares are already held in Europe, primarily through London. This autumn, Mr McCormick also held talks with European bankers on the possibility of European borrowing transactions.

Amfac to sell its mainland US operations for up to $750m

BY LOUISE KEHOE IN SAN FRANCISCO

THE BOARD of Amfac, the San Francisco based property, food and agriculture conglomerate, has approved a sweeping restructuring plan under which the company will sell all its US mainland operations, valued at between $600m and $750m, and return to its roots in Hawaii.

The company will seek a joint venture partner to develop its land and agriculture operations in Hawaii, where it has huge land holdings, most of them in sugar and pineapple plantations. Amfac is looking for investors to pay cash for up to half its Hawaiian land operations.

The net proceeds of the sales of operations would be returned to shareholders in the form of a cash or cash-and-equity distribution.

Mr Henry Walker, Amfac's chairman, said the plan "was designed with careful attention to the interests of our shareholders and is intended to focus our continuing operations on our Hawaii core holdings".

He defended the decision to develop its properties in Hawaii as "the most realistic course of action open to us in terms of realising immediate potential, given the political and legislative climate in Hawaii".

Analysts had favoured a spin-off of Amfac's valuable Hawaiian property, but concerns about such a move have raised a political storm in the islands, where Amfac is the largest employer.

Amfac's mainland operations include health care and electrical distribution operations; resorts in California's Napa Valley, the Grand Canyon and elsewhere; and one of the largest US mushroom growing operations.

Last year these operations generated $1.57bn in revenue, about 80 per cent of Amfac's total, but only 17 per cent of operating profits. Amfac had a "lot of parties interested" in its operations, but no firm buyers yet.

Alcan sees dollar as key to growth

BY OUR FINANCIAL STAFF

ALCAN ALUMINIUM, the Montreal-based aluminium producer, says its fortunes in 1988 hinge on dollar confidence and low interest rates.

Mr David Morton, president, said: "If the world continues to support the US (budget) deficit and there isn't a loss of confidence in the US dollar, then we'll see a banner year. But if interest rates rise, then the developed economies will run into a brick wall."

GAF buy-out to go ahead on lower terms

BY JANET BUSH IN NEW YORK

THE PROPOSED management buy-out of GAF, the US specialist chemicals and building materials group, is going ahead under revised, lower terms which reflected the sharp fall in GAF's share price since its original offer, the management group said yesterday.

The new offer, led by Mr Samuel Heyman, GAF's chairman and chief executive, is worth $40 in cash and $8.50 principal amount of notes for each GAF share, valuing the company at $1.62bn. This compares with the previous offer, announced on September 8, of $64 in cash and $2.50 principal amount in notes.

On October 19, Mr Heyman said that his group intended to reconsider its proposal in the light of the unprecedented deterioration in credit and financial markets. GAF's share price had closed on October 16 at $52½. At mid-session yesterday, the price stood at $45.

Mr. Heyman said yesterday: "We believe that the proposal, which reflects more than a sixfold increase in the price of the company's stock since a new management and board took office in December 1983, presents an attractive and timely opportunity for shareholders to realise the value of their ownership in GAF."

The GAF management group told the committee of outside board members that it had retained the investment banking firms Drexel Burnham Lambert and Merrill Lynch Capital Markets as financial advisers.

It intends to finance the buy-out with its own funds and bank borrowings under a syndicated loan from a group of banks led by Chase Manhattan.

Thyssen holds dividend despite drop in profits

BY HAIG SIMONIAN IN FRANKFURT

THYSSEN, West Germany's biggest steel and engineering group, plans to pay an unchanged DM5 a share dividend for the year ended September, in spite of a 17 per cent fall in worldwide turnover to DM26.6bn ($16.3bn) from DM32bn last year.

Revealing net group profits 18 per cent lower at DM302m, Thyssen said special reserves had been set aside to cover rationalisation costs, especially in steel production.

Last month, the group announced plans to merge its steel operations near Duisburg with those of fellow-producers Mannessmann and Krupp.

Turnover in the steel division fell by 16 per cent to DM8.9bn. Thyssen said it was the only one of its divisions which lost money and that all its other divisions increased their profits.

The group said earnings in the steel division had declined sharply due to lower product prices and reduced production.

Income from profitable steel activities had not been enough to make up for the considerably higher losses in thick plate, wire rod and light sections, where further wide-ranging rationalisation would be necessary.

The group gave no profit figures for its separate divisions, but said turnover had been depressed by the rise in the value of the D-Mark against the dollar and by stagnant conditions in certain sectors.

Sales in the investment and manufactured goods division fell 12 per cent to DM 8.4bn, while the trading house turnover dropped 23 per cent to DM12.4bn owing to reduced demand and prices. Nevertheless, profits had been "very satisfactory," it said.

Thyssen's special steels division reported a 11 per cent drop in turnover to DM3.3bn.

Thyssen Industrie, the group's principal engineering arm, said it had orders worth DM5.4bn at the end of September, while Budd, the US subsidiary, had performed "satisfactorily" on unchanged dollar turnover.

Thyssen said it invested DM1.2bn in 1986-87 and would be ploughing in a further DM2.7bn in the next two years.

The group added that it was confident about the present business year, but gave no forecasts other than that it intended to concentrate increasingly on promising manufacturing activities and services.

OIAG to break even by 1989

BY JUDY DEMPSEY IN VIENNA

OIAG, the Austrian holding company for state-run industries, expects to break even by 1989, according to Mr Hugo Michael Sekyra, managing director.

Mr Sekyra said at the weekend that OIAG would claw its way out of the red over the next two years even though this would mean redundancies for the group's 90,000 workforce. His radical restructuring programme has already led to strikes and demonstrations.

Acknowledging the difficulties ahead, Mr Sekyra said the next two years would be critical for the group. It will record losses of between Sch8bn and Sch10bn ($695.6m to $869.5m) this year. Net losses amounted to more than Sch11bn last year.

Mr Sekyra said he hoped OIAG would have a positive cash-flow next year, "but net results will be negative, somewhere around a deficit of Sch3bn to Sch4bn."

Predictably, Voest-Alpine, the Austrian steel and heavy engineering company, continues to make one of the largest losses.

Although Mr Sekyra has streamlined the company and plans to reduce the workforce, Voest-Alpine will record losses in excess of Sch4.5bn for this year alone. The troubled VEW steel company will also make large losses, of about Sch3.2bn.

In spite of these gloomy forecasts, Mr Sekyra, a technocrat at heart who wants to see higher productivity at lower costs, said OIAG would not be asking the Government for more subsidies. If the Sch6bn already available – which has to last until 1990 – was insufficient, OIAG would sell assets.

Last month, OIAG sold a 15 per cent share of OEMV, the successful oil and mineral company, for about Sch3bn.

Hellerup Bank taken over for DKr232m

By Hilary Barnes in Copenhagen

HELLERUP BANK, which serves one of Copenhagen's wealthier suburbs, is being taken over by Andelsbanken, a leading Danish commercial bank.

Hellerup Bank, which has a balance sheet total of DKr3bn ($477.7m) and operates 18 branches in the north of the city, has been running at a loss. It has a subsidiary in the Isle of Man.

The takeover will be made through an exchange of paper which puts a value of DKr232m on the deal.

The extent of Hellerup's losses has not been specified. In a joint announcement, the two banks stated that Hellerup would end the year "with substantial loss provisions and a poor result."

The Bank Inspectorate has kept a close eye on Hellerup since the spring, when it became apparent there could be problems. The inspectorate participated in the weekend negotiations at which the takeover was arranged.

Two small Copenhagen banks failed earlier this year, and in spite of unofficial intervention from the Government the Danish banking community remained reluctant to come to the rescue.

BIL to acquire investment firm

By John Wicks in Zurich

BANK IN LIECHTENSTEIN (BIL) is to acquire Trainer, Wortham, the New York-based investment counselling firm.

Representatives of the two groups declined in Zurich yesterday to give the price for the privately-owned firm.

Proceeds, which will be partly in the form of participation certificates, were said by Mr Christian Norgren, BIL chairman, to be "very fair."

Trainer, Wortham was formed in 1924 and is one of the oldest independent investment counselling firms in the US. It manages nearly $1bn of client assets.

BIL, controlled by the Prince of Liechtenstein Foundation, has traditionally specialised in portfolio management and has "several billion dollars" of managed assets.

INTERNATIONAL COMPANIES

Fletcher Challenge seeks NZFP meeting on Rada

BY DAI HAYWARD IN WELLINGTON

THE SHARES of Rada, the New Zealand investment company, which is the major shareholder in New Zealand Forest Products, have featured in several market moves this week.

Fletcher Challenge, which owns just under 20 per cent of NZFP, has served legal notice requesting NZFP to call an extraordinary shareholders' meeting to answer questions on transactions involving Rada's participation in Caspal.

Caspal is a *joint venture company* set up by Rada and NZFP to acquire 14.9 per cent of the Australian company North Broken Hill Holdings. Last week, NZFP bought Rada's stake in North Broken Hill.

Market observers believed the move was designed to provide cash reserves for Rada. However, Fletcher, which was blocked from obtaining a majority shareholding in NZFP by Rada, wants to know more about the deal. Fletcher Challenge says it wants to be sure the deal was fair to all and in the best interests of NZFP shareholders.

Mr Bob Gunn, chairman of NZFP – which in turn holds 25 per cent of Rada – was unhappy at the Fletcher Challenge move, saying the board would have wished for a more constructive attitude from a major shareholder in the company. It was considering what further information it could provide to all shareholders.

Mr Gunn said the *final* price for Rada's holding was not yet finalised but it would be at least A$3 per share. Rada bought the original stake in April last year from Industrial Equity and later shared the financing with NZFP.

Then yesterday, Sir Roderick Weir, chairman of Crown Corpo*ration confirmed that the* proposed sale of its 19.9 per cent holding in Rada, which was announced on October 1, appears to have fallen through as a result of the share market crash. The share brokers handling the sale appear unable to complete the transaction.

It was intended that the sale would be completed in January and the shares placed in Australia to help Rada with its original plans to list on the Australian stock exchange.

Following the crash, Rada announced the listing would not proceed. The sale of the Crown shareholding in Rada was to have been at 135 cents *per share*. Now they will go back to Crown and Sir Roderick says Crown's 1988 accounts will be revised to show the value of the shares at 92.5 cents each. The adjustment will amount to NZ$25m (US$16m).

Rada owns 49 per cent of Newmans Group, the NZ based international tour operator. Late last week, Newmans increased its stake in a successful local tour operator, Fullers Corporation to 7.4 per cent. Rada already holds another 42 per cent so between them they now control almost half of the Fuller operation.

At the end of last week Rada shares were *selling* at 67 cents – dropping 3 cents during the week. In September they were quoted at *138* cents.

Newmans shares dropped 25 cents during the week to 110 cents. In September they were quoted at 162 cents.

●**Wormald International**, an Australian fire-protection and security concern with worldwide operations, yesterday announced plans to sell many of its investments in Asia and New Zealand and for 48.8 per cent of Wormald to be acquired by Reil, an investment company that acquires holdings in industrial concerns. It is 10 per cent-owned by *Babcock & Brown Holdings of* the US

Under the proposals, Reil will buy 22.8 per cent of Wormald from Sunshine Australia for A$159m, payable by the end of 1992. Reil already owns 17 per cent of Wormald.

Jordanian airline in profit

By Our Financial Staff

MR ALI GHANDOUR, the chairman of the Royal Jordanian Airline, said yesterday the state-run company expects a JD1.7m ($4.96m) profit for 1987 and plans new routes soon to Miami and Montreal.

He said the profits came on expected revenues of JD122m. Final figures are generally released in June.

Passenger traffic increased by about 8 per cent over 1986, reaching 1.2m, with the largest growth – of 12 per cent – on the airline's flights to North America, where it serves New York, Chicago and Los Angeles.

Mr Ghandour said Royal Jordanian expected to start serving Miami by April, and Montreal at an as yet undisclosed time.

The airline, which changed its name from Alia at the start of 1987, is gradually selling shares to the public and its employees and has been reducing its debt by selling its aircraft and leasing them back.

Mr Ghandour said the airline gained from the declining dollar because all of its debt is denominated in the US currency. He also predicted that the new, lower air fare regime in Europe will increase passenger traffic enough to overcome reduced per-seat revenues.

Alps Electric in German venture

ALPS ELECTRIC of Japan plans to produce electronic goods in Dortmund, West Germany, and will also set up a research and development centre there, **reports our Financial Staff.**

Alps' European distribution subsidiary, Alps Electronic Europa, said full-scale production was planned from mid-1989. Alps, which had sales last year of Y302.22bn ($2.35bn), already produces in South Korea, Taiwan, Brazil, the US and the UK.

Stephen Fidler on reactions to bank capital adequacy proposals

Sigh of relief from UK bankers

PROPOSALS to unify capital requirements for banks in the industrialised world – published last week by the Bank for International Settlements – have been greeted by bankers in the UK at least with a quiet sigh of relief.

Banks in the 12 affected countries have six months now to discuss the plans, which require them to provide minimum capital equivalent to 8 per cent of their assets by 1992, with their supervisors. There were not too many surprises, however, since much of the way forward was presaged by the agreement last year to converge capital standards in the US and UK.

"This paper is a tremendous achievement," said Mr Peter Wood, Treasurer at Barclays Bank. "Any criticisms really are just nit-picking in a few areas."

Not surprisingly, however, the introduction of the new rules – which will bring off-balance sheet items fully into the capital net – is expected to have a significant impact on international financial markets.

According to Mr David Lomax, group economic adviser to National Westminster Bank, the central banks appear at first sight to have been successful in balancing the need for adequate capital standards and that of avoiding burdening banks with competitive disadvantages that would drive business to other financial intermediaries, such as securities firms.

The first effect – and one that may already be felt in the international markets – is the way the proposals will change the relative competitiveness of banks from various countries. The relieved reaction of UK banks is at least partly due to the feeling that they will not need to boost capital significantly to comply with the requirements, which cannot be said for many Japanese banks, for example.

Japanese bankers say that, since it was known that Japan would join the international capital adequacy agreements, their institutions have been more cautious and less willing to lend at aggressively narrow margins to build assets.

While the impact of the proposals will obviously hit those more weakly capitalised Japanese institutions hardest, there has already been a general recoiling from the international loans market, in which they have been important lenders. This has not yet fed through significantly into more generous pricing of medium-term loans, although the absence of the smaller Japanese banks as participants in syndicated financings can probably be expected to in the months to come.

Many Japanese banks will be developing internal strategies to deal with the new requirements and their reaction is likely to become clearer after the current financial year ends on March 31.

There may also be an increased pricing differentiation in the loans market between short-term deals – which will not be affected by the new rules – and medium-term loans, which will.

There are other likely consequences. One concerns the 50 per cent weighting allotted to mortgage lending, which means that banks have only to provide half as much capital against their mortgage assets than against, say, their personal loan portfolio.

According to Mr Wood of Barclays, this could blunt the drive toward the securitisation of mortgage assets. While there would still be an incentive for banks to get mortgage assets off their books, that incentive would be greater for those assets carrying a greater weighting.

There is also concern about the impact on the proposals on the international interbank markets – and as a result the market in forward foreign exchange. Exposure to banks of another country with a maturity of greater than one year attracts a 100 per cent weighting, compared with 20 per cent for loans of less than a year.

This would be likely to lead to a significant widening of spreads on interbank deals of a maturity of more than one year and, since forward foreign exchange rates are governed by the interbank deposit rates, a less tightly-priced forward exchange market. This would be an additional burden on forward deals, which would also attract their own capital requirements.

However, bankers admit to some pleasant surprises. The capital requirements on foreign exchange and interest rate swap transactions are less onerous than many had been expecting. This should help prevent a major shift of the business away from the banks and towards securities houses, bankers said.

PROPOSALS for subordinated debt contained in the Bank for International Settlements' new guidelines on banks' capital adequacy could bolster sections of the floating-rate note market, FRN specialists said yesterday.

The perpetual FRN market could be boosted by the statement in last Thursday's report that the policy of deducting all holdings of other banks' capital from the basic level of capital required of banks is not recommended by the BIS.

***This policy* had been adopted by the Bank of England, and investors' fears that other authorities might imitate it helped fuel a fall-out in prices of perpetual FRNs this time last year.**

The bulk of the $18bn perpetuals which had been issued, mostly by banks, are still held by Japanese financial institutions.

Meanwhile, the market for fixed-term subordinated issues may improve, given the BIS' proposal that these instruments may be included in the supplementary elements of capital, up to 50 per cent of core capital.

Though the guidelines are not binding on central banks, FRN dealers are expecting them to lead to firmer prices in these sectors when trading resumes in the new year.

But for the moment, prices have not been affected by BIS recommendations. Dealers say this reflects the year-end quietness in the market.

In addition, the halting of trading operations by E.F. Hutton's London office, in anticipation of the merger with Shearson Lehman, has further cut *liquidity* in the floating-rate note market.

Dealers add that continuing concerns about the liquidity of perpetuals may mean this sector will benefit less than fixed-term subordinated issues. This is because many houses have pulled out of trading perpetuals this year.

Merchant bank founded in Amsterdam

By Laura Raun in Amsterdam

LONDON AMSTERDAM Merchant Bank, a small bank capitalised at Fl 114m ($62m), has been founded by Dutch, French and Australian institutions with the aim of financing international trade through the use of bills of exchange.

The bank has its headquarters in Amsterdam. It is backed by OHRA, a rapidly growing Dutch insurance company, Alexanders Laing and Cruickshank, a London stockbroker owned by Credit Lyonnais, Spedley Holdings, an Australian merchant bank and moneybroker, and BT Insurance, an Australian company involved in insurance and financial services.

Of the Fl 60m paid up capital, 15 per cent was provided by OHRA, 20 per cent by Alexanders Laing, and 10 per cent each by Spedley and BT Insurance. The remaining 45 per cent is held by smaller investors.

***Legally established* on October 22, the bank intends to discount bills of exchange, which are negotiable claims representing a supplier's credit. Discounting to third parties provides a means of financing international trade and ties in closely with the factoring industry.**

The bank said last week: "In the financial world of today, there is a distinct movement toward securitisation of debt. Or, putting it other words, toward negotiability of paper debt. The London Amsterdam Merchant Bank is concentrating its efforts on this market."

The name was chosen because Amsterdam and London traditionally have been centres for international trade and for using bills for financing trade.

The bank also will operate in the option and financial futures market as well as in portfolio management and corporate advice. It aims to narrow the gap between banking and stock market dealing. Founder and chairman of the bank is Mr PG Van Oyen, who formerly was general manager of the Unico investment fund. The four-member board of management is drawn from the Dutch banking community.

Quiet day's trading for all Eurobond sectors

BY CLARE PEARSON

ALL SECTORS of the Eurobond market saw very quiet trading yesterday as many traders have wound down operations ahead of the Christmas break.

One Eurodollar bond dealer said he had turned over only four or five tickets of an average size of $500,000 during the day. At other times of year, his trading volume could range between $30m and $150m.

Price movements tracked those in the US Treasury bond market, although little actual dealing took place. This meant bonds were marked down during the morning, on concerns about the lower dollar and a rising gold price, but then firmed during the afternoon on a lower oil price.

Euroyen bond trading was similarly becalmed, although dealers saw limited, two-way retail business. Buying interest focused on the short end of the market, reflecting some investors' expectations of further currency gains but caution about the outlook for yen interest rates.

The Eurosterling bond market was also in a relaxed mood. One dealer said that as many as 10 out of about 18 active market-makers seemed to have stopped making prices to other professionals yesterday.

However, a host of UK economic statistics may trigger slightly higher trading volume later in the week. Of particular importance will be tomorrow's public sector borrowing requirement figure for November, Thursday's November unemployment number, and Friday's November money supply.

In the D-Mark domestic bond market, prices fell up to one percentage point, which dealers said reflected light profit-taking ahead of the year-end amid very low turnover.

The last Federal Government 6⅜ per cent bond fell 65 basis points in price to 99.05 at the fixing. At this level it yielded 6.5 per cent, the highest yield since the bond came out in November. The average yield on domestic public bonds rose 6 basis points to 5.99 per cent.

Prices in the D-Mark Eurobond market drifted easier by up to ¼ point at the longer end. But shorter dated bonds ended the day broadly unchanged – dealers said Far Eastern investors had shown some buying interest.

D-Mark Eurobonds for supranational borrowers were yielding about 20 basis points less than Federal Government bonds. This compares with around 10 basis points at the middle of last week. However, a benchmark 6¼ per cent World Bank issue was trading at 99.40 bid, compared with 99¾ on Friday.

The Swiss franc foreign bond market enjoyed fair turnover with prices ending the day slightly firmer.

A SFr400m 5 per cent 10-year bond for Province of Alberta, the largest straight public bond yet, closed its second day's trading at 101½, unchanged from Friday's close. At this level, it stands ¾ points above its issue price.

A SFr70m five-year 4⅝ per cent bond for Mitsubishi Mining and Cement closed its second day's trading at par, a level equivalent to its issue price and one point above its closing level on Friday.

A SFr80m issue launched last Friday for Nippon Suisan Kaisha, the Japanese fisheries concern, was quoted in the grey market at around less 1¼ bid. The bond has the same terms as Mitsubishi Mining's issue.

ROCKEFELLER CENTER Properties, the real estate investment trust, said yesterday it would be repurchasing in the market two convertible Eurobonds which it issued in August 1985 as part of the financing of the Rockefeller Centre, the New York office complex.

Shearson Lehman Brothers International and Goldman Sachs International, the lead-manager of the bonds which originally raised $500m, have been appointed as purchasing agents.

The $335m 8 per cent issue is convertible at maturity into shares of the company at a rate of $11.82 per share, while the zero-coupon convertible (with a redemption amount of $952m) is convertible at maturity at $21.71 per share. Both bonds mature in December 2000.

Last Friday Rockefeller Center Properties' shares closed at $17⅞ per share.

Avon forecasts higher profits

BY OUR FINANCIAL STAFF

AVON PRODUCTS, the US cosmetics and toiletries group, expects net income for 1987 to be about $195m or $2.75 per share, up 23 per cent from $158.7m or $2.23 in 1986, its highest earnings for six years.

The results will include a $170m pre-tax charge for restructuring that will be more than offset by a pre-tax gain of about $190m from the initial public offering this autumn of a 40 per cent interest in the company's Japanese subsidiary.

Of the charge, $100m will cover the restructuring of its Foster Home health care division, providing for the consolidation of warehouses and branches and the establishment of a reserve for the re-evaluation of stocks and accounts receivable.

Foster is closing 40 satellite branches and cutting its number of warehouses to five from 21. Inventories will be written down and it will reserve for doubtful receivables.

The other $70m of the charge will provide for a future consolidation of the company's worldwide beauty business and for withdrawal from some unprofitable or marginally profitable international beauty products markets.

Sales of its beauty group for 1987 will be up about 15 per cent and pre-tax profits up 17 to 19 per cent. The group accounts for about 80 per cent of Avon sales and 85 per cent of pre-tax profits from operations.

Sales of the health care group will be up by around 13 per cent in 1987 and pre-tax profits will be about flat.

Olive oil producer to be listed on Madrid SE

BY OUR FINANCIAL STAFF

ELOSUA, a leading Spanish olive oil producer, is to be listed on the Madrid stock exchange at the end of December, according to brokers.

The listing is likely to take place between December 28 and 31, pending final approval from the stock exchange authorities, the brokers said. The listing will follow completion last month of a rights issue, which raised Elosua's capital to Pta2.8bn ($25.4m) from Pta2bn through an offer of 800,000 shares at Pta4,300 each.

Elosua, which expects net profits of Pta672m for 1987 on sales of Pta62.8bn, accounts for 27 per cent of Spain's domestic olive oil market and 17 per cent of all Spanish olive oil exports.

The company controls 23 subsidiaries with interests ranging from frozen foods to distribution. It is also a leading producer of sunflower oil.

Continental in tyre deal with Japanese groups

BY OUR FINANCIAL STAFF

CONTINENTAL, the West German tyremaker, and Toyo Tire and Rubber of Japan, plan to co-operate on tyre production with Yokohama Rubber, another Japanese company.

The three companies are also planning to set up a joint venture in the US with General Tire, which was recently acquired by Continental.

Under the agreement, Toyo and Yokohama will produce truck and bus tyres for Continental and General Tire in Japan and Continental and General Tire will produce the two Japanese groups' tyres in the US.

Toyo has produced tyres in Japan for Continental since 1981 under an agreement which also involves exchanging know-how. A similar agreement has existed between Toyo and General Tire since 1983.

General Tire will have a majority holding in the US venture.

Multi-option facility for Hillsdown

By Stephen Fidler, Euromarkets correspondent

HILLSDOWN HOLDINGS, the UK food group, said yesterday it is raising up to £300m through a five-year financing to be used to replace existing medium-term borrowings.

It has mandated Kleinwort Benson to arrange a multi-option facility, which comprises a £300m committed standby financing and an uncommitted tender panel. It will be syndicated among Hillsdown's relationship banks.

The committed part of the financing carries a facility fee of 5 basis points, a margin of 10 basis points and a fee on utilisation over 50 per cent of 5 basis points.

Slough Estates has jointly mandated Barclays de Zoete Wedd and National Westminster Bank to arrange a £200m multi-option facility, which it said was also primarily designed to replace existing financings.

It will incorporate a £200m standby credit and a tender panel for sterling acceptances and multi-currency cash advances. The maturity is five years, with an option to extend for a further year on each anniversary.

It carries a 6.25 basis point underwriting fee, with a maximum margin of 12.5 basis points. A utilisation fee of 2.5 basis points is payable if more than half drawn.

Alfred McAlpine appointed Midland Montagu as arranger for a £50m commercial paper programme. The other dealer is Morgan Grenfell.

Esab buys West German laser group

By Our Financial Staff

ESAB, THE Swedish welding machinery group, has acquired Held, a West German maker of laser equipment, for an undisclosed sum. Esab said Held, which makes lasers for welding and cutting, is a world leader in its sector.

The new group will be called Esab Held and will develop laser production systems and advanced industrial lasers.

Esab achieved profits before financial items of SKr140m ($23.6m) for the nine months to September 1987 on sales of SKr2.84bn.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	93⅛	93⅝	−0⅛	−1	9.95
All Nippon Air 9⅞ 97	100	93½	93⅞	−0⅛	−1⅛	10.80
American Brands 8⅞ 92	150	95⅝	96⅛	−0⅛	−1⅛	10.01
A/S Eksportfinans 7⅞ 93	100	90⅛	90⅝	−0⅛	−1	9.82
A/S Eksportfinans 7⅞ 92	150	92	92½	−0⅛	−1⅛	9.65
Barc. Bk. Fin. 10⅞ 89	200	†102⅛	102⅝	0	−0⅛	9.11
Belgium 9⅛ 92	400	98	98½	−0⅛	−1⅛	9.61
British Telecom 7⅞ 96	250	89½	89⅞	−0⅛	−1⅛	10.39
British Telecom 8⅞ 94	150	94⅝	95⅛	0	−1⅛	9.92
Canada 9 96	1000	95⅞	96⅛	0	−1⅛	9.74
Canadian Pac 10⅛ 93	100	†102⅞	103⅜	+1⅛	+1⅛	10.04
C.C.C.E 7⅞ 91	113	92⅝	93⅛	+0⅛	−1	9.35
C.N.C.A 7⅞ 91	150	92	92½	−0⅛	−1⅛	9.67
Coca-Cola Ent. 8⅞ 92	100	98⅛	98⅝	0	−1⅛	9.00
Credit Lyonnais 9 91	200	99	99½	−0⅛	−0⅛	9.25
Credit National 7⅞ 92	100	92⅛	92⅝	0	−1⅛	9.50
Credit National 7⅞ 91	150	93	93½	−0⅛	−1⅛	9.58
Denmark 7⅞ 92	500	90⅞	91⅜	+0⅛	−0⅛	9.77
Denmark 8⅞ 92	500	96⅛	96⅝	0	−0⅛	9.37
E.E.C 7 91	100	92⅝	93⅛	0	−0⅛	9.18
E.E.C. 7⅞ 93	250	90½	91	−0⅛	−2⅛	9.57
E.E.C 8⅞ 96	100	89⅛	89⅝	0	−1⅛	10.15
E.I.B. 7⅞ 93	100	90⅛	90⅝	−0⅛	−1⅛	9.79
E.I.B. 9⅞ 97	150	95⅛	95⅝	+0⅛	−1⅛	10.13
Finland 7⅞ 97	200	85½	86	0	−1⅛	10.35
Finland 7½ 93	200	90	90½	−0⅛	−1⅛	9.78
Ford Motor Cred 11⅛ 90	100	†104⅝	105⅛	0	−0⅛	8.72
Gen Elec Credit 10⅛ 00	200	†100⅛	100⅝	0	−1⅛	10.18
G.M.A.C. 8 89	250	†98⅞	99⅜	0	−0⅛	9.03
G.M.A.C. 8⅞ 89	200	†99⅛	99⅝	0	−0⅛	8.46
[illegible]	100	[illegible]	[illegible]	[illegible]	[illegible]	10.45
[illegible]	100	[illegible]	[illegible]	0	[illegible]	[illegible]
[illegible]	300	[illegible]	[illegible]	0	[illegible]	9.79
…						

FINANCIAL TIMES SURVEY

The need for more competitive procurement policies is inescapable as costs rise. Suppliers are having to collaborate or group together even more to ensure that they can meet more stringent government demands. **David Buchan** reports.

Trade flows changed

Defence Industries

CONTENTS

ONLY A WEEK ago, the two superpowers signed their first treaty to reduce their nuclear stockpiles. But, long overdue though this is, it will shave less than 5 per cent off the total size of US and Soviet nuclear arsenals, and will of itself make no measurable dent in East-West defence budgets.

Indeed, on the Western side it *could lead to a slight increase in* defence spending as Nato seeks to fill any gaps left in its flexible deterrent strategy by modernising its short-range nuclear weapons and, perhaps, put more resources into conventional defence.

It is hard to see Nato and the Warsaw Pact countries accounting in the foreseeable future for much less than their current share of at least three quarters of world military spending of some $900bn a year.

The Washington missile treaty will have even less effect on Third World countries, whose defence spending (20-25 per cent of the world total) is related to their regional security rather than the East-West power struggle.

Since the Gulf War between Iran and Iraq started in 1980, it has provided custom for no fewer than 27 arms-supplying countries. It has also stimulated a defensive build-up by other Gulf states, the latest instance of which is Saudi Arabia's current quest for minehunting ships from Europe.

Economic problems, far more than arms control, are likely to depress defence budgets, particularly in the US where military spending had already levelled off before this October's stock market crash.

The exact shape of US budget cuts is still not clear, but defence has had to take its share of reductions. Among European members of Nato (who collectively recorded a 1.9 per cent real increase in defence spending in 1986, compared to 3.2 per cent in the US), the trend is a little different.

While next year's West German defence budget may fall slightly in real terms, the UK has reversed its earlier plan for defence cuts, and France is increasing military spending, particularly on nuclear programmes.

The past year has seen much talk of Europe doing more in its own defence, and there are a few tentative, budgetary signs that it is ready to put its money where its mouth is.

According to UK government estimates of new contracts signed, the volume of world arms exports has stayed fairly constant at just over $40bn a year, from the 1982 peak of more than $50bn.

But trade flows have changed markedly. The industrialised countries, in both Nato and the Warsaw pact, are now trading more with each other as demand from the generally debt-ridden Third World has fallen away.

Within Nato the major change has been a relative opening up of the US market, the world's biggest. Sales by European members *of Nato to the US* reached a record $2bn in 1985-6, up from $1.1bn only two years earlier, and do not appear to have fallen back since.

The Reagan administration and the Congress, heavily influenced by Senator Sam Nunn, chairman of the Senate Armed Services committee, have realised that substantial savings to the *US* defence research and development could be made either by joining in collaborative R & D or by buying certain finished products off the shelf from other countries.

Thus some $70m a year is now devoted to the "side-by-side" comparative testing of foreign equipment (most of it from within Nato) with US equipment, and 10 transatlantic collaborative projects have been established in 1986-7 with US funding of about $150m a year.

Most of these imports or collaboration projects are of relatively small importance to the US services. But there are a few exceptions, such as the French Rita tactical radio system bought by the *US Army in 1985*, or the forward air defence gun contract just awarded to Martin Martietta with Oerlikon Buhrle, its Swiss partner; or indeed the AV8-B Harrier co-developed and co-produced for the US Marines by McDonnell-Douglas, British Aerospace and Rolls-Royce.

In 1985-6 the UK overtook Canada as the US's largest single supplier, with sales of $860m, and since the US has continued to prove a very good market for UK equipment suppliers, such as Ferranti, Smiths Industries, GEC Avionics with its very successful head up displays for pilots and air data buses, and Marconi which has won a joint contract with Rockwell to develop high-*frequency anti-jam radios for* the US Navy.

Not surprisingly, some protectionist pressures in the US have spilled over from the civil to the defence sector. Pickets recently protested against imports at a Washington DC defence exhibition.

There have been some, not very conclusive, moves on Capitol Hill to effectively exclude foreign companies from Strategic Defence Initiative (SDI) contracts.

And the Pentagon has itself lent a sympathetic ear to US component industries - semi-conductors, ball bearings, precision optics - seeking government procurement preference against foreign competition.

But imports still amount to about 2 per cent of total US defence procurement, compared to 5 to 50 per cent in Europe. The US probably would find it hard to be protectionist against any ally with which it runs a defence trade surplus.

The only Nato ally with which the US has had a defence deficit is France, and even this may change in the short term with France's purchase of four expensive Boeing Awacs radar aircraft.

A second general feature of world defence trade is the growing number of capable Third World producers. Many developing countries can now supply their own needs in ammunition and small arms, while a few, like Brazil, Israel, China and India, have become exporters of armoured cars, tanks, heavy guns, and even aircraft, to other developing countries.

Brazil is a dramatic example. In less than 20 years it has developed an arms industry employing 100,000 people and producing $3bn a year for its own needs and $2bn worth of exports. Who, in the late 1960s, would have thought that this year would see a Brazilian tank, the Azosorio (with a British Vickers turret), competing and doing very well in trials in Saudi Arabia against the best US, French and UK models?

Another, temporary, feature is the preference that many countries are showing for updating older equipment such as Phantom or Mirage jets with new radar and avionics, as they await whatever the new era of the US Advanced Tactical Fighter, or the Anglo-German-Italian-Spanish Eurofighter, or the French Rafale brings in the 1990s.

General Dynamics is seeking to fill part of this interregnum with a new "half generation", the updated F-16, but in other "big ticket" aerospace products, there now seems to be a cyclical break, with few more export sales envisaged for the the McDonnell-Douglas F-15, Dassault's Mirage 2000, or the Anglo-German-Italian Tornado.

The UK, which has displaced France from its long-held third place behind the two superpowers in the world arms export league, recorded overseas sales of £5.9bn in 1986, of which £3.2bn was from the Saudi contract. But there is a wider underlying improvement in UK defence exports, which amounted to £2.85bn in 1985 and are expected to exceed £3bn this year, with diminished proceeds from the Saudi deal.

The main reason for this is the more competitive climate of domestic defence procurement, forcing UK companies to compete on price, quality and delivery on most contracts.

It was in the US, of course, that the gospel of competition was first preached and practised. Some 80 per cent of Pentagon contracts are now competed for or are follow-on orders subsequent to a competition.

Perhaps it has been overdone a bit recently. Do recent efforts to force competition even in the making of Trident missiles and submarines really make economic sense? But Europe's need for more competitive procurement is inescapable.

The French and British governments have said they intend to open up Europe's largest, but most self-centred, national procurement programmes to bidding from each other's industry. This plan is to complement longstanding collaboration on major weapon systems.

The Efa project and its rising cost estimates is giving some members of the Eurofighter consortium financial heartburn, particularly the West Germans. But none of the four participants believes that a purely national aircraft is a viable alternative. That is why there is some disbelief that France can carry through its rival Rafale project on its own.

Equally, however, there is scepticism, particularly on the part of the UK, about the savings from collaboration if it is run by a multi-national bureaucracy on an uncompetitive basis. This is why one of the biggest Efa subcontracts - for the radar - has been put out to competition.

It is also why European governments have generally welcomed a report commissioned by their Independent European Programme Group (IEPG), setting out the necessary steps towards the creation of a common arms market in Europe.

It calls for a central register of bidding opportunities, and for national registers of defence contractors to help companies pick foreign partners.

It also urges that more collaborative contracts be let on the basis of fixed price tenders by rival international consortia, on the Efa radar model.

Updating aircraft is providing a lot of work

Timescale doubts

BATTLE LINES are being drawn for the military aircraft market of the 1990s and beyond, but not along totally traditional lines.

The consortium of the UK, West Germany, Italy and Spain seems to be moving the European Fighter Aircraft (Efa) shakily towards the start of full development and eventual production of some 800 aircraft for the four countries' air forces.

Similarly, the US is embarked on development of the new generation of "stealth" fighters and bombers for its own needs. Neither the US nor the Efa countries expect to export to each other.

But there is movement on the margin, and this time the margin includes France, which excluded itself from the Efa consortium two years ago. Its search for partners on its own Rafale fighter may lead, ironically, to industrial cooperation with the US as much as with the Efa consortium.

It is interested, specifically, in an interim buy of updated McDonnell-Douglas F-18s for its naval carriers.

There is in fact now considerable activity in the updating of old or existing models. This ranges from retrofitting ageing aircraft like F-4 Phantoms and the older Mirages with the latest avionics, to developing new versions of current frontline aircraft such as F-16s and F-18s.

For such updates, there is a market in countries uncertain about the timescale and costs of the Efa-Rafale-Stealth generation of fighters.

General Dynamics is planning to update its F-16 to give that remarkably high-selling aircraft a fresh lease of commercial life. It has proposed to develop an advanced F-16 Agile Falcon for $600m to be split between the US Air Force and whichever other countries buy it.

The main pitch is at the four European countries which have co-produced the basic F-16 model since the 1970s - Norway, Denmark, Belgium and the Netherlands. For the first time, the US government appears to be ready to share development on a major aircraft project with foreign countries.

However, General Dynamics is also the beneficiary of Japan's willingness to defuse US economic complaints by making concessions in the military field, and of US leverage over Israel. Tokyo decided this autumn that it would at least appear to buy something off the American shelf by choosing the F-16 design for its new FSX aircraft.

In practice, the US company will simply supply the design and engineering assistance, with most components and all avionics to be made in Japan.

Cancellation by Israel of its own Lavi fighter, financed largely by US money but at the US administration's displeasure, has opened the way for more F-16 sales.

McDonnell-Douglas has also been dangling the advanced F-18 in front of the four-nation Efa consortium before it crosses the Rubicon and agrees to full development of the Eurofighter. Only one Efa country has been seriously tempted to take the F-18 bait.

Currently plagued by competing demands on its defence budget, such as the Franco-German helicopter project, the Bonn government, at Bundestag insistence, has weighed the undoubtedly somewhat cheaper alternative of "buying American" rather than "developing European."

One of the factors troubling the Germans is the doubling over the past two years of the estimate of their share of Efa development from DM4bn to more than DM7bn; the German one third share in Efa happens to be identical to that of the UK, which has never released any figures.

A particular problem for the Germans is the relative rigidity of their military funding schedules, which undergo far greater parliamentary scrutiny than elsewhere in Europe.

Thus they have less flexibility than their partners in dealing with heavy front-end financing, which has occurred in the Efa programme as a result of (largely British) government insistence that as much financial and technical risk be devolved, in the form of fixed price contracts, on to the main prime contractors.

These are the groupings of British Aerospace, MBB of Germany, Aeritalia, and Casa of Spain making up the Eurofighter consortium for the airframe, and of Rolls-Royce, MTU of Germany, Fiat Aviazione of Italy and Sener of Spain forming the Eurojet company responsible for the engine.

More of Efa work will be let on a competitive basis than was the case of the predecessor aircraft, the Anglo-German-Italian Tornado. The main competition is for the £1bn radar contract, for which two consortia are vying, one led by AEG of Germany with Hughes of the US as a partner and the other all-European and led by Ferranti of the UK.

There is a heavy political content to the contest. Bonn wants the Efa to have the same (Hughes) radar as its F-4 force, but US content or design carries the potential snag of the Efa being one day subject to US export controls.

The UK government probably has a preference for UK-led radar development, to redress the damage done to the image of British radar manufacture by cancellation of the £1bn Nimrod early warning radar programme and adoption of AWACS aircraft.

Whichever team wins the Efa radar contract will probably find itself approached by Thomson-CSF of France for cooperation, so that some savings can be made on Efa and Rafale through common radar components.

This is hardly surprising. The French aerospace industry has taken a dive, with Dassault this year laying off 2,000 workers and seeing profits tumble by 90 per cent after its failure to win any export orders.

This is in strong contrast to companies in some of the Efa consortium countries, which have been buoyed up by Tornado sales to Saudi Arabia. BAe of the UK, for instance, has seen military aircraft sales rise from £1.168bn for the whole of 1986 to £862m in the first half of this year, and it has also succeeded in beating French competition in selling the Hawk to Switzerland as well as to the US Navy.

Dassault's slump has depressed the performance of suppliers like Snecma, Matra and Thomson itself. This last company has also been in search of radar technology from Texas Instruments to put in the Rafale's nose.

However, the French government has still not given the Rafale the go-ahead for full development, and is unlikely to do so until it has exhausted its quest for partners like Belgium, which has been much wooed to join in the French project instead of buying the updated F-16.

But the Paris government and Aerospatiale now seem to have a firm partner in the Bonn government and MBB to develop the PAH-2 anti-tank helicopter for an estimated DM4.28bn, and to produce some 400 of the machines for the two countries' services.

Collaboration within one country is the new trend in the US. The US Army and Congress in fact decreed that development of the new LHX light helicopter should be on a "teaming" basis, with Bell and McDonnell-Douglas teamed against Boeing and Sikorsky.

Elsewhere, companies have teamed up to spread the greater financial and technical risks the Pentagon now requires industry to shoulder.

Thus, Grumman and Northrop are together competing against McDonnell-Douglas and General Dynamics to develop the Advanced Tactical Aircraft (ATA) for the US Navy, and Lockheed and General Dynamics are vying with Northrop and McDonnell-Douglas for development of the Advanced Tactical Fighter (ATF) for the Air Force.

On the latter, the Air Force is giving only $690m to each consortium to build an ATF prototype, widely expected to cost considerably more, with the extra to be met out of industry's pocket.

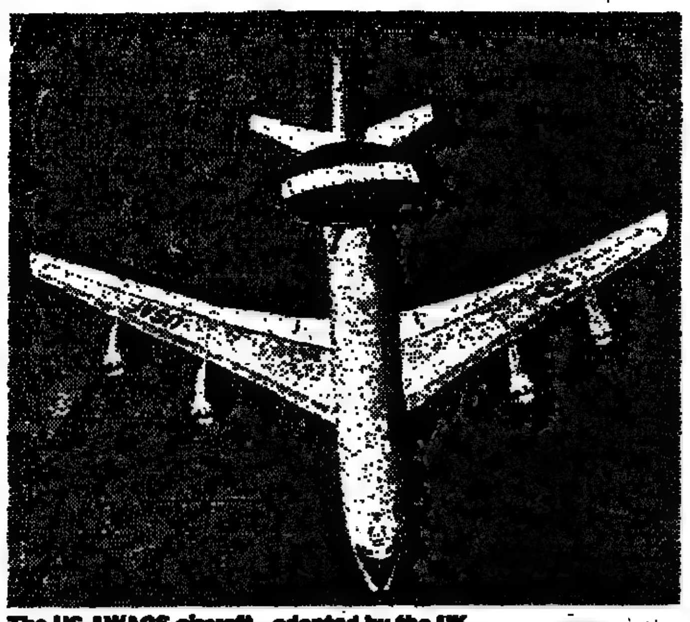
Thus, teaming as a risk-sharing exercise makes sense.

It is a moot point whether the US will continue to have seven regular prime contractors for military aircraft. Rockwell will drop out of aircraft prime contracting next year when it completes the 100th, and final, B-1 bomber.

Such a reduction would only be matching shrinkage in the number of programmes - for instance, the ATF will replace the heavyweight F-15, the lightweight F-16 and ground attack A-10.

Technology is also bringing new faces into the aircraft business. Martin Marietta, hitherto known most in the military field for its Pershing missiles, is leading research into a pilotless bomber, able to search out targets, drop bombs, assess damage and return home, all on its own initiative.

David Buchan



The US AWACS aircraft - adopted by the UK

Warships

Yards short of orders

THE NAVIES of the world continue to be active despite the absence of full-scale naval confrontations, with several countries' navies patrolling on full alert in the Persian Gulf, as well as on station elsewhere.

Four navies, of the two Superpowers plus France and Britain, also carry nuclear deterrents, so the profile of naval building work is inevitably high in the ranks of defence industries.

The placing of naval work, in Britain and other parts of Europe, is politically sensitive.

Shipyards around the world are almost starved of orders, both commercial and naval; they are often sited in areas where traditional heavy, steel using industries have run down and where unemployment is high. Naval building work is one source of employment in the gift of governments.

Nevertheless, the cost of advanced naval vessels is so high that the volume of new orders is barely enough to keep many of the yards in business.

Even in the US, which has the world's largest navy and where warships in the past have been ordered in multiple quantities, shipyards have been forced to close, under pressure from the beleagured US defence budget.

There is now no discernible pattern of warship ordering in Europe or elsewhere. The orders for naval vessels, when they come, are sparse, and in Britain they come unevenly and are spread between the few remaining warship building yards.

This reduces the possibilities of economies of production, but increases competition between shipyards.

The majority of British yards that build warships are back in the private sector after several years as part of the state-owned British Shipbuilders corporation. Britain has eight yards which can take on naval work: Brooke Marine, Hall Russell, Harland and Wolff, Scott Lithgow, Swan Hunter, VSEL, Vosper Thornycroft and Yarrow.

Of these, only the last four are mainstream builders of the large warships required by the Royal Navy and for competing in world markets.

All the yards, with the exception of VSEL, have been forced by declining demand to cut their workforces and accept new roles.

This involves the acceptance of very much slimmed down operations, with a willingness to seek any type of shipyard work and work that can capitalise on the skills of steel fabricators and electronic systems engineers.

One UK shipyard is building steel sections for the refurbishment of the Severn Bridge, as part of the process of diversification, now seen as essential if the companies owning the shipyards, rather than the shipyards themselves, are to survive.

Yarrow, on the Clyde in Glasgow, has taken the role as the UK's specialist builder of frigates for the Royal Navy and the MoD regards the company as the lead yard for these vessels.

Benefits go with this position. For example, the lead yard is the first to develop the skills needed to build a new vessel and hence has a lead over its rivals.

Vosper Thornycroft has earned the mantle of the UK's leading producer of glass-reinforced plastic (GRP) warships. These are mainly minehunters and Vosper Thornycroft is the lead yard for the Hunt class of GRP-hulled minehunters and sweepers.

In July, after competition with Yarrow, the company won the order for four of the new Sandown class of GRP single role minehunters, vessels that will hunt for mines but will not sweep.

Vosper Thornycroft is seeking to win a contract for eight minehunters from Saudi Arabia. It is likely to face competition from companies in Italy and a consortium of shipbuilders in France, Belgium and The Netherlands.

Intermarine of Italy is expected to propose its Lerici class of glass-reinforced plastic minehunters while the consortium in Europe is likely to offer its Tripartite vessel.

The Saudi contract could be worth between £250m and £300m. VSEL, formerly Vickers Shipbuilding and Engineering, at Barrow-in-Furness, with a total of 15,000 employees, including those at Cammell Laird, owned by the group at Birkenhead, on the Mersey, has the fewest problems.

It is the sole UK source of nuclear-powered submarines. VSEL's current workload is dominated by production of the Royal Navy's Trident nuclear ballistic missile submarines. The first Trident submarine is being built and the contract for the second was announced by Mr George Younger, the Defence Secretary at the Tory party conference.

He used the occasion to defend the UK Government's record on conventional warship ordering by also announcing invitations to tender for the next group of four Type 23 frigates. The contracts for these vessels are expected to be announced next summer.

The Government had been criticised, including by those in its own ranks, for failing to maintain the strength of the Royal Navy's conventional warfare capability at the expense of the Trident independent nuclear deterrent programme.

Swan Hunter, on the Tyne, the subject of a management buy-out, like the privatisation of Vosper Thornycroft and VSEL, is seeking to develop as a shipbuilding company capable of a wide range of work. In the past it has built some of the largest merchant vessels, such as supertankers, as well as some of the largest vessels in service with the Royal Navy, including the aircraft carriers Ark Royal and Illustrious.

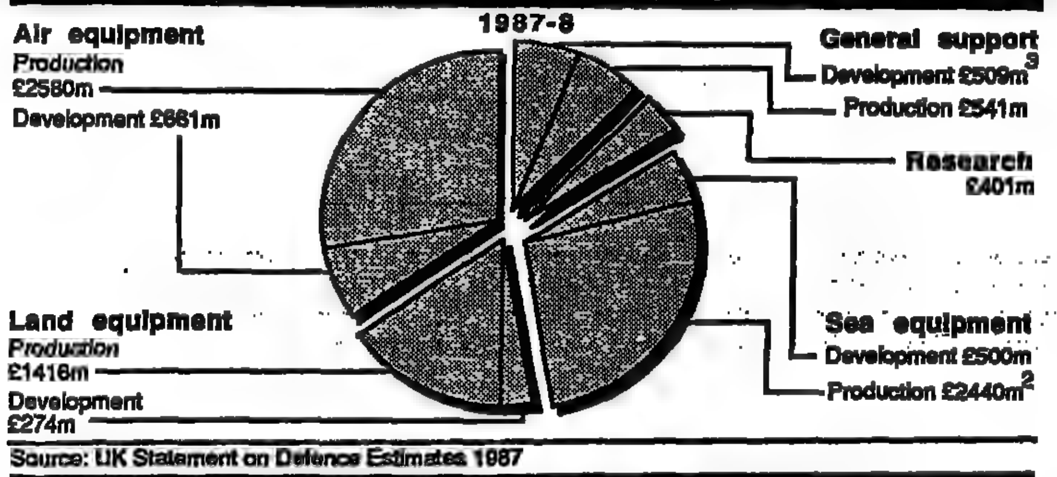
It is also one of the UK's frigate and destroyer builders and seeks to balance its diet of mainly naval work with whatever commercial work it can get.

Harland and Wolff, the state-owned shipyard in Belfast, has largely opted out of naval work. The yard still builds what Dr John Parker, its chairman and chief executive, calls "quasi naval vessels."

Possible export prospects being sought by yards include frigates for the Royal Australian Navy; conventionally-powered diesel electric submarines for Saudi Arabia, although this requirement may have been overshadowed by the Saudi interest in minehunters; frigates for Pakistan and nuclear-powered hunter killer submarines for Canada.

Lynton McLain

The UK's procurement programme



Source: UK Statement on Defence Estimates 1987

Per capita defence expenditure

US $ million - 1986

Country	US $ million
US	1,207
Norway	513
France	511
UK	492
W Germany	458
Netherlands	372
Belgium	357
Denmark	333
Canada	312
Greece	283
Italy	238
Luxembourg	155
Spain	117
Portugal	90
Turkey	54

Source: UK Statement on Defence Estimates 1987

NATO countries' defence expenditure - 1986

Total expenditure (US $ million)

Country	Total expenditure (US $ million)
US	291,741
France	28,382
W Germany	27,832
UK	27,764
Italy	13,647
Canada	8,000
Netherlands	5,412
Spain	4,508
Belgium	3,620
Turkey	2,765
Greece	2,627
Norway	2,136
Denmark	1,701
Portugal	926
Luxembourg	57

Expenditure as a % of GDP (market prices)

Country	% of GDP
US	7.2%
France	4.1%
W Germany	3.1%
UK	5.1%
Italy	2.7%
Canada	2.3%
Netherlands	3.1%
Spain	1.9%
Belgium	3.2%
Turkey	4.7%
Greece	6.7%
Norway	3.1%
Denmark	2.1%
Portugal	3.2%
Luxembourg	1.2%

Source: UK Statement on Defence Estimates 1987

Profile: Lord Trefgarne

Taking tougher approach

"THE FACT that we now take a more competitive approach to our procurement has increased the commercial awareness and effectiveness of our defence contractors.

"The proof of the pudding is in the eating, in that they now have so much more success in world markets than they once did."

Thus, Lord Trefgarne, Britain's Minister for Defence Procurement, points, above all, to the record 1986 defence exports of nearly £6bn as the best measure of the health of the UK defence industry.

He particularly underlines UK successes in the US where "you don't enjoy success if you are not competing effectively with good products, good prices and good deliveries."

Sharply-improved UK defence exports, pushing France out of third place in the world league, stem from the more competitive climate in domestic procurement. "We now have many more firms bidding not only directly to the MoD itself, but also as subcontractors to main systems suppliers," Lord Trefgarne says.

In the first half of this year, some 500 small companies responded to the MoD's specific initiative to involve them in defence contracting, and 70 of these companies applied to join the ministry's list of approved prime contractors.

What new directions is UK procurement policy likely to take? "The most important task ahead of us now is to make sure that the classic procurement process, through feasibility study, project definition, full development, is refined to the point that we make it a more reliable process than in the past.

"We must avoid another case like the Airborne Early Warning (AEW) Nimrod where we had to cancel following the expenditure of such an enormous amount of money, around £1bn. We need a better 'early warning' system in procurement, also."

The area where the UK has fallen down in the past is in "assessing the technical risk of programmes." Lord Trefgarne says greater reliance is now being put on the independent technical judgement of the MoD's chief scientific adviser and less on the self-interested assurances of contractors.

He has asked to see progress reports on more projects than his ministerial predecessors did, though still only "a tiny proportion" of the 40,000 contracts let by the Procurement Executive each year can possibly receive ministerial scrutiny.

Lord Trefgarne: successes

The second priority is extension of competition. "The areas into which we can extend competition have no limits, except those of the industrial base," the minister says. He notes that nuclear-powered submarines will continue to come from a single source (VSEL at the moment) and, even more obviously, nuclear warheads will stay a government monopoly.

But he gives three examples of possible new competition. The UK is looking for an interim replacement for its Chieftain tank and is examining German and US tanks as well as a derivative of the UK Challenger tank.

The last option "would make a lot of sense" for reasons of compatibility with the existing UK tank force, but the foreign options are by no means excluded, the minister says.

Second, though torpedo manufacture in the UK in recent years has been the sole preserve of Marconi Underwater Systems (MUSL), Lord Trefgarne says competition in production, if not development, is now a possibility.

Third, the MoD has had several offers of supply from small arms and ammunition makers. These may be taken up, the minister says, depending on the outcome of current negotiations for a multi-year deal with Royal Ordnance, the MoD's historic supplier, before being privatised

More than 90 per cent of UK defence equipment is developed and manufactured within the UK, though often in collaboration with foreign partners.

The political dictates of the MoD remaining UK industry's largest single customer make any change in this ratio unlikely, Lord Trefgarne says. But "there are cases where we need to ask ourselves whether it is sensible to remain in every area of defence technology."

He cites the new reciprocal understanding between Britain and France not to ignore ready-made products on each other's shelves

This cross-purchasing arrangement makes more sense with France than with some smaller European countries, because France's armed forces and defence industry are similar in scope to those of the UK, Lord Trefgarne says.

"There is no doubt that Andre Giraud (the French Defence Minister) has put his personal support behind this idea, as George Younger (the UK Defence Secretary) and I have done."

However, the minister warns that the UK is now taking a more pragmatic view of collaborative weapons projects than in the past. "Collaboration is a means to an end, not an end in itself." He illustrates this approach by reference to three current projects.

The European Fighter Aircraft (Efa) project with West Germany, Italy and Spain is "the only sensible way" of meeting the RAF's requirement, particularly as more competition is being injected into development which, Lord Trefgarne hopes, will be given the full go-ahead next year.

The Trigat (third generation anti-tank weapon) project, whose full development has already been formally agreed by France and West Germany, is "critical" to the UK, too. But, the minister warns, "it is no good us driving ahead until we have got all our ducks in a row" in the form of satisfactory contractual terms.

For the moment, Britain and France have not joined six other Nato countries in launching the definition phase of the NFR-90 Nato frigate project. "We are determined to put right one or two shortcomings, in particular the gross mismatch in the timing of developing the ship and its weapon system.

Will this tougher approach by the UK alienate its partners? Lord Trefgarne thinks not. In the short term "we will be told we are not being sufficiently collaborationiste, but they will thank us in the end."

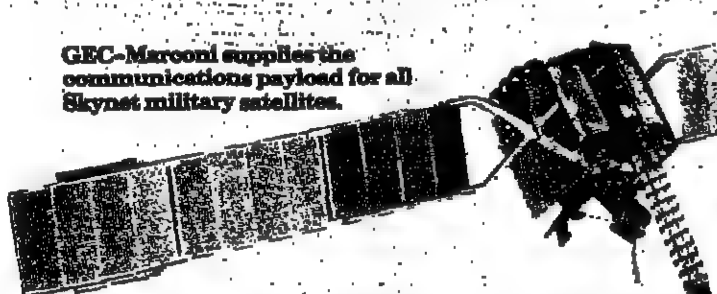
David Buchan

The Defending Champion

Ian MacBean's new company began life with £2 billion of sales, some of Britain's top technology and world trade, which as he tells Robert Heller includes U.K. exports that boomed to £600 million – from "almost zero."

NOT often is a new company born with £2 billion of sales, "as near as makes no difference." The words come from Ian MacBean, who recently put the finishing touches on GEC-Marconi – a reorganised giant which brings nearly all the General Electric Company's defence business into one group that is crammed with some of Britain's most advanced technology. Four-fifths of the new grouping's sales are defence-related. Half of the UK output now goes into a world market where, in the mid-seventies, GEC's presence, says GEC-Marconi's managing director, was negligible.

Dr MacBean, now 55, has been working in GEC, and in defence, for the past 30 years, all of them based at Stanmore: "either I'm very lucky or I'm stuck in the mud." Those three decades, though, have seen prodigious upheaval, both in the defence market and in GEC's defence business. The two changes are closely related. Today the customers – whether they are the Ministry of Defence, the Pentagon or another foreign Government – "don't ask for a radar or a torpedo. They specify a whole operational system."



GEC-Marconi supplies the communications payload for all Skynet military satellites.

MacBean says that his own job "with my very small staff is to see that the customer's requirements are met" by coordinating his sixteen operating companies: each, in classic GEC fashion, a separate business with its "own set-up and managing director," responsible for all functions – financial control, marketing, research and development, the lot. The business, as MacBean says, "has always been based on having the best technology available." That's now costing around £450 million a year; 80% of that is provided by the customer, "a very substantial help," as MacBean drily observes – but a good deal less substantial than the 95% of the past.

"From the seabed to 22,000 miles above the earth."

"Long-term that will not impact profits if we produce good products that sell." In other words, the similarities between GEC's defence business and its civil work have greatly increased – indeed, "we are concentrating on expanding civil sales" (currently some 20% of the business). The "technology which defence gives us" is by definition in the scientific vanguard, and MacBean's company will either use it "where we know the markets or supply it to other parts of GEC."

DESPITE MacBean's involvement in defence ever since starting his career at Stanmore (as a development engineer in microwave systems), his first major step in 1964 was a move towards civil work. He was asked to set up GEC's first entry into satellite communications; as a divisional manager with a staff of one – himself.

MacBean helped build the business from "the ground floor up" towards the stars. The company built all the equipment for Britain's first satellite ground station at Goonhilly in what became an "on-going and fairly flourishing business. But it never quite took off the way our early pipe-dreams imagined."

That is an occupational hazard of high technology, and MacBean has had plenty of consolations – as in the remarkable tale of "one of my first loves." In 1969, GEC had only a trivial involvement with torpedoes – indeed, "there wasn't a UK torpedo industry." GEC was doing "very low-level experimental work" at Stanmore. But with the government's programme in grave and obvious difficulties, MacBean "sat down with my boss" and started to "wonder if there is a business in torpedoes." What started with four engineers going down to the Admiralty establishment in Portland had become by 1982 ("after many gyrations, much hassle") a business turning over some £200 million.

GEC-Marconi is now Britain's main supplier of torpedoes. MacBean has a particular reason for citing its Stingray programme. At the end of the Seventies, Stingray was not making progress, and "we were impotent to do anything about it." The management sat down with the Navy and after prolonged negotiation arrived at "a firm agreement, management control and a fixed price." The result was a weapon "highly satisfactory in operation" and "one of the most successful procurement programmes ever undertaken."

MacBean sums up: "we did a sound job and made reasonable money" – even though in 1978 Stingray was "in a similar position to Nimrod. It was late, over-cost and beset with technical difficulties."

MacBean's analogy with the torpedo saga is self-evident: GEC should have insisted on taking full charge of Nimrod in the same way. In future, "the large programme in which our degree of management control is very limited will not be repeated. We won't go willingly down that path."

"Half of the UK output now goes into a world market."

That vital lesson apart, Nimrod is "no longer an issue as far as we are concerned. It is a thing of the past. We are pursuing the remainder of the business in a very successful way." In this pursuit, MacBean concentrates on looking after the management and motivation: "My job is to give maximum freedom, but hopefully to guide the whole thing." Although MacBean is a technologist, and "defence is as near to technology-push business as GEC gets," his involvement is far less with the technology (which has left him "far behind," despite his PhD) than with the new business opportunities – for main example, abroad.

"The biggest supplier of HUD's in the world."

In working up from the "almost zero exports" of 1975, "we've had to learn how to market on a world-wide basis." There is clear evidence that the learning has been effective from the United States, where GEC has used every available route to become one of the top 100 suppliers to the Department of Defence. That adds up to $200 million a year and to a very positive achievement, given the inherent difficulties such as the power of immensely strong local defence manufacturers. One solution to the problem of beating 'em, however, is to join 'em, hence the recent purchase of defence interests from Lear Siegler in the US.

GEC-Marconi can also crack this literally well-defended market by unique excellence of product, as in HUD – the "head-up displays" which project flight information in front of a fighter pilot's vision. MacBean's company is "the biggest supplier of HUDs in the world." Avionics is a business where technology is often common for both military and civil applications, though in most cases technology transfer from war to peace is notoriously "not easy to do." To achieve it involves manipulating something MacBean much admires – "the GEC style of autonomous operating companies." Today, he sees "much greater determination" among his fellow managing directors to turn the mutual autonomy into a strength by exploiting technology transfer.

MacBean, of course, has to keep technology transfer flowing within his own operating companies: the new GEC-Marconi structure is designed to take full advantage of their combined strengths more effectively than in the past.

"We'd reached a watershed": GEC defence businesses that were "very, very successful in their own right" had to "spend a lot of time fighting people who were much bigger. To tackle world markets and fight on, we had to be on equal terms with major competitors."

"The business has always been based on having the best technology available."

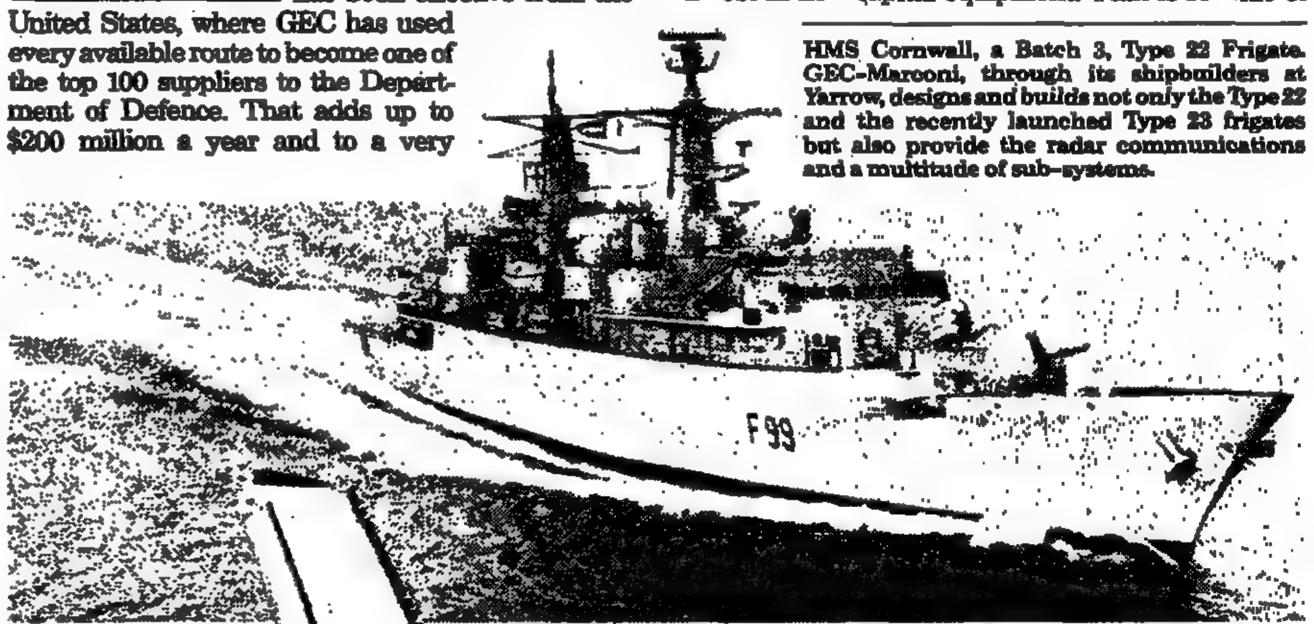
Since he took over his current job 18 months ago, MacBean has therefore been working "to turn the whole thing into a coherent group." The overriding idea is "to maximise total capability: to bring together individual units to be in a position to take on major projects as prime contractor" in one of the world's most competitively challenging businesses.

The challenge can be measured in jobs as well as with money. If a business grows by "under 15% per annum compound, it will have to shed people." Heavy investment in automation is mandatory: "the sole aim is to manufacture at a low enough cost so that we can sell competitively." MacBean's own bosses at Stanhope Gate accept the necessities: "I can't remember anybody ever saying, no you can't invest in new capital equipment. That is so wide of the mark as to be ludicrous." The remit from Lord Weinstock, as MacBean himself describes it, suits him fine: "There's your business, you're the managing director, please perform and run the business as you think best. I will not interfere so long as it is successful; or unless I have something positive to suggest."

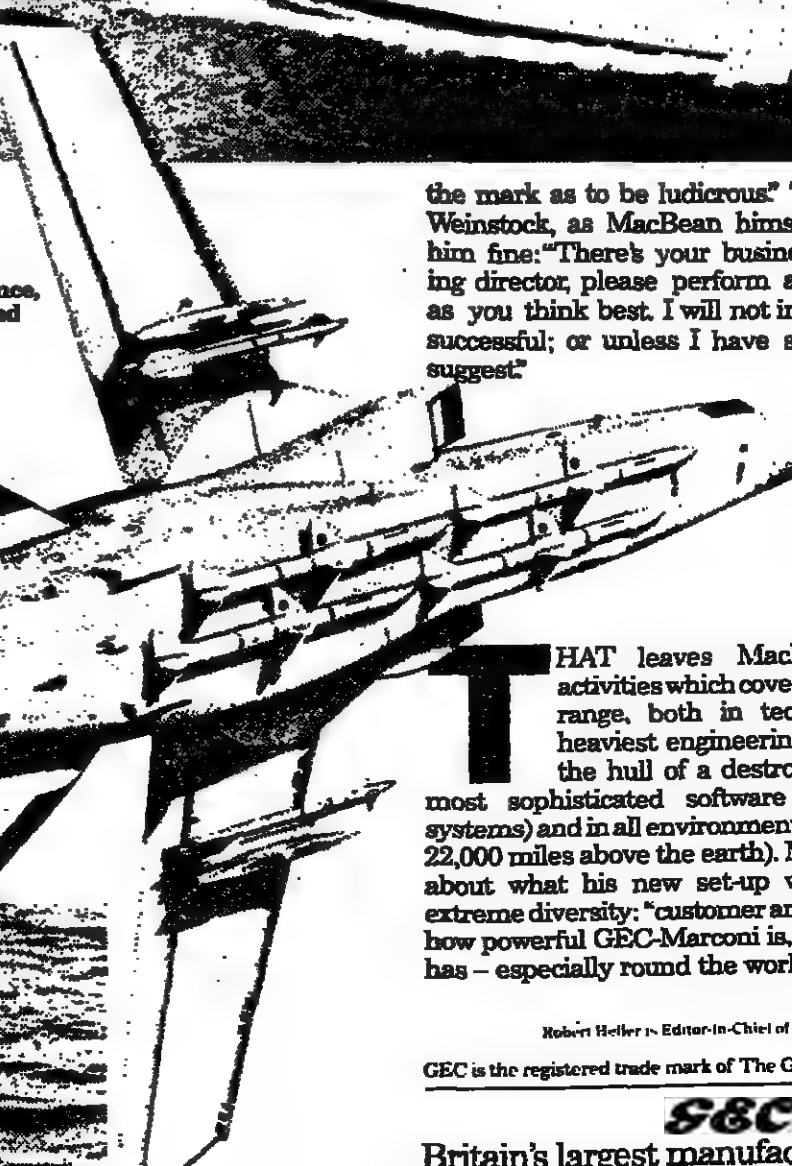
THAT leaves MacBean in control of activities which cover a most extraordinary range, both in technologies (from the heaviest engineering hardware, building the hull of a destroyer at Yarrow, to the most sophisticated software controlling defence systems) and in all environments (from the sea-bed to 22,000 miles above the earth). MacBean is very clear about what his new set-up will create from this extreme diversity: "customer and public perception of how powerful GEC-Marconi is, and what potential it has – especially round the world."

Robert Heller is Editor-in-Chief of Finance Magazine

Dr. MacBean, Managing Director of GEC-Marconi Limited. *Photography by Terry O'Neill.*

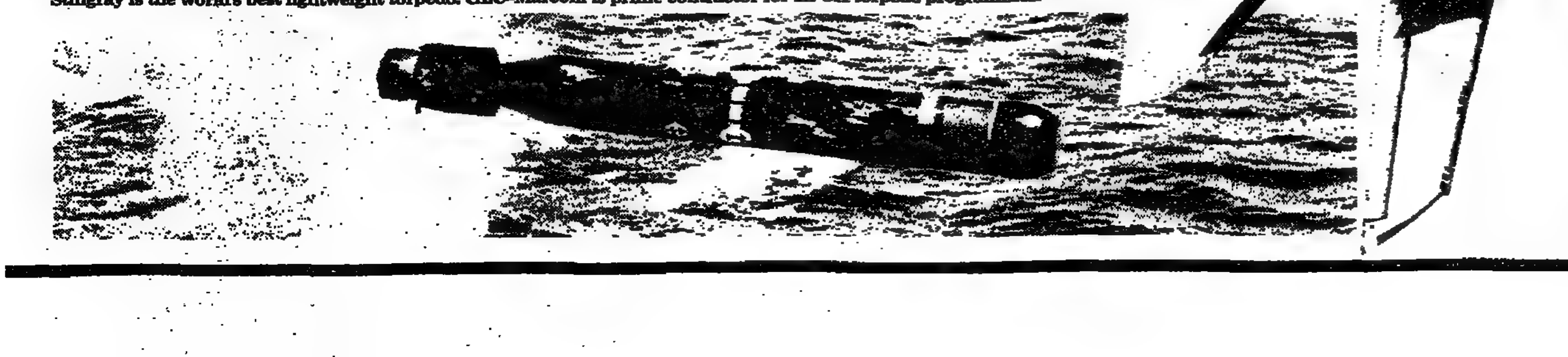


HMS Cornwall, a Batch 3, Type 22 Frigate. GEC-Marconi, through its shipbuilders at Yarrow, designs and builds not only the Type 22 and the recently launched Type 23 frigates but also provide the radar communications and a multitude of sub-systems.



GEC-Marconi fits the Tornado with Skyshadow, Electronic Support Measures, Skyflash missile guidance, the Foxhunter radar and 15 other systems.

Stingray is the world's best lightweight torpedo. GEC-Marconi is prime contractor for all UK torpedo programmes.



A slowdown in defence spending has brought forecasts of difficult times, says **David Thomas**

Competition intensifies in electronics

THE PAST YEAR has not been one of the happiest for the electronics sector, which is used to being regarded as the most glamorous and high-growth part of the defence equipment industry.

In many major countries, such as the US and UK, companies are faced with intensifying competition just as the prospects emerge of a slowdown in the heady rate of growth in military budgets they enjoyed in the early and mid-1980s.

Simultaneously, the industry has had to cope with cutbacks in defence spending by key developing countries, such as those in the Middle East.

The result has been forecasts from some quarters of dire times ahead for defence electronics contractors.

Scrimgeour Vickers, the UK brokers, warned in a report in May that the British government's policies were putting thousands of jobs at risk in the supplying industries. Export orders might stave off trouble in some defence sectors, but not in electronics, the report concluded, because "for the electronics industry there are no such mega-deals likely."

Others are not so pessimistic. In a forecast prepared last year, the Electronic Industries Association of the US concluded that any softness in total spend would be offset by the continuing increase in the share of the total accounted for by electronics sales.

Thomson, the company which dominates defence electronics in France, is prime contractor for the submarines the French are bidding to sell to Saudi Arabia - an index of the importance of electronic systems in such major pieces of equipment.

Justifying its conclusion, the US trade association referred to "the consensus expectation that defence electronics will occupy a central and increasingly pivotal role in modifying, improving and enhancing the performance and survivability of all our platforms and their associated offensive and defensive weapons systems."

The move towards bigger computers and processors for battle management and artificial intelligence; improvements in lasers, infra red equipment, fibre optics and electro-optics for surveillance, target location and communications; the search for ever more sophisticated electronic intelligence-gathering equipment - these are among the trends which would keep defence electronics companies in orders into the 1990s, the association concluded.

To judge by the almost weekly announcements of orders from defence ministries around the world, there are still plenty of contracts to be fought over. And specialist defence electronics companies are not alone in benefitting from this largesse.

In Britain this year, for instance, British Telecom clinched its largest ever military deal with a £130m project to manage the modernisation of the Royal Air Force's fixed telecommunications network.

Yet the climate appears generally colder to many defence electronics companies than in the heady days of a few years ago.

To judge by the almost weekly announcements of orders from defence ministries there are still plenty of contracts to be fought over

This has prompted increased interest in cross-border collaboration to spread spiralling development costs, especially among the countries of Western Europe.

A problem with the idea of more partnerships, however, is the varying structure of the industry across Europe. While the business is dominated in France by Thomson, with Dassault as a minor player, and while AEG and Siemens rule the roost in West Germany, the industry in Britain is fragmented.

True, the General Electric Company is the clear leader, but Plessey, Racal, Ferranti and Thorn EMI all do substantial defence electronics business. Moreover, a chance to rationalise the UK industry was missed last year when the Government vetoed GEC's bid for Plessey precisely on the ground that the Ministry of Defence would have fewer competing suppliers, particularly in key areas of defence electronics.

The British industry has had to cope with more than just a dip in business from the Ministry of Defence - from £2.5bn last year to £2.44bn this year - though that was shock enough after the previous four years when outlays on electronics-related equipment had risen by 18 per cent.

The slowdown has already put a question mark over the timing of some key electronics-based orders, such as for radar and computer command systems.

It has also faced a threat to the Government's contribution to research and development, clearly of key importance to a high tech sector such as electronics.

Responding to a widespread feeling that defence was pre-empting too much of the R and D spend, the defence White Paper in May explained that the Government was aiming to release more government cash to support the civil sector and exports.

This prompted the UK Electronic Engineering Association to a detailed defence of military R and D spending, which argued that defence companies' own spending on R and D is not out-of-line with other sectors of the economy and that the benefits of a sustained R and D budget are seen in the high levels of military exports from the UK.

Nevertheless, ministers seem set on significant cuts in their contribution over the next two to three years as defence R and D becomes more competititive

The move to widespread competitive tendering has ushered in an even bigger change for the UK defence electronics industry, forcing some companies which had grown to regard a particular area of business as their own property to have to fight for it anew.

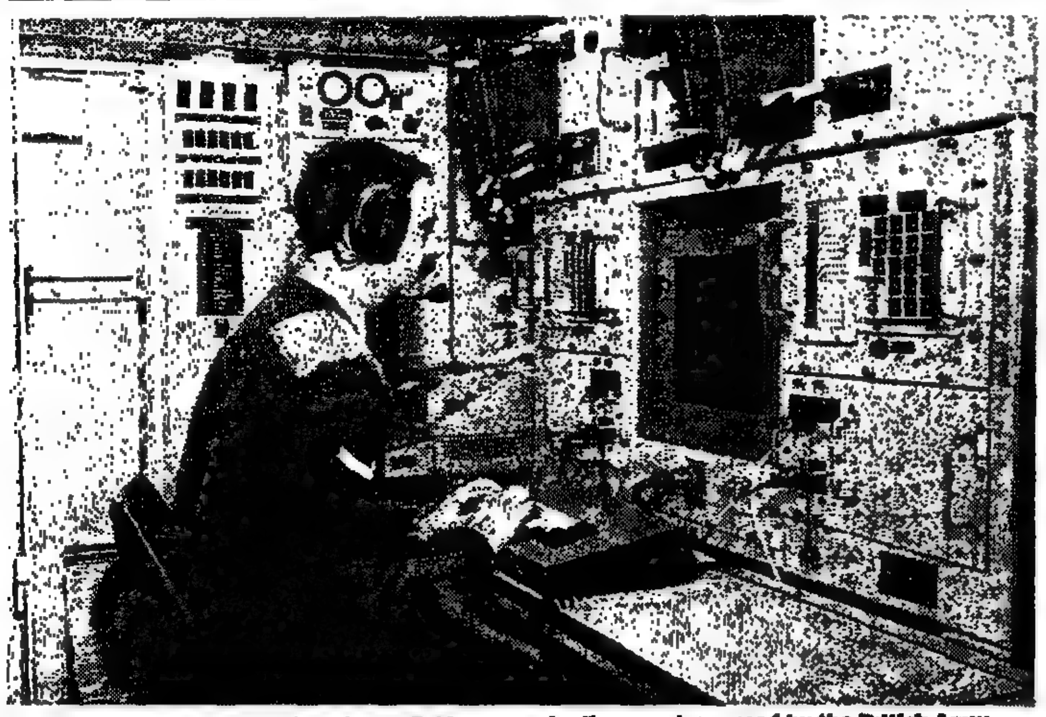
For example, a question mark has hung all year over the bid for the new computerised command network for the Royal Navy's Type 23 frigate by Ferranti, which has had a virtual monopoly of shipboard computing systems for the Navy for many years.

British electronics contractors have also been hit by a slowdown in some overseas markets where they have usually scored well. Thorn, Plessey, GEC and Racal were all forced to shed labour this year, a move largely blamed on falling demand for military communications from the Middle East.

Some British companies have reacted to the pressures at home by pushing harder overseas. This year has been marked by a wave of acquisitions by the British of US defence companies.

Smiths Industries, once known as a motor components group, consolidated its new strategy by buying half of the avionics business of Lear Siegler; GEC mopped up the rest. Plessey, frustrated in its ambitious interest in the Harris Corporation, a defence-based group about its own size, settled for a smaller purchase in November when it acquired Sippican, a Massachusetts-based naval warfare specialist.

While this diversification into the world's largest market makes excellent commercial sense when conditions are becoming tougher at home, it would be ironic if it coincided with a slowdown in the helter-skelter growth rates recently seen in the US defence budget.



Controller operating Ptarmigan battlefield communications system, used by the British Army

The world arms trade (deliveries)*

($m)

Country	1982	1983	1984	1985	1986	1982-86	Per cent of total exports to Third World, 1982-86
USA	12,707	12,011	10,278	9,104	10,462	54,562	51.6
	37.8	37.3	31.3	30.1	33.3	34.0	
USSR	9,552	8,850	9,433	11,134	9,851	48,850	76.1
	28.4	27.5	28.7	36.8	31.4	30.5	
France	3,472	3,380	4,170	4,170	4,196	19,387	86.1
	10.3	10.6	12.7	13.8	13.3	12.1	
UK	2,065	1,077	1,925	1,777	1,947	8,791	66.5
	6.1	3.3	5.9	5.9	6.2	5.5	
FR Germany	861	1,822	2,432	942	870	6,926	62.9
	2.6	5.7	7.4	3.1	2.8	4.4	
Third World	1,165	1,462	1,081	740	772	5,220	95.3
	3.5	4.5	3.3	2.4	2.4	3.3	
China	746	890	1,194	863	1,208	4,902	97.1
	2.2	2.8	3.6	2.9	3.8	3.1	
Italy	1,357	973	865	551	327	4,073	98.0
	4.0	3.0	2.6	1.8	1.0	2.5	
Others	1,673	1,720	1,456	938	1,797	7,586	61.0
	5.0	5.3	4.4	3.1	5.7	4.7	
Total	33,600	32,185	32,833	30,219	31,460	160,298	69.0

*Not new contracts
SOURCE: Stockholm International Peace Research Institute

Communications

Satellites growing as crucial military link

INTELLIGENCE gathering and communications equipment represents one of the largest, but most hidden, areas of defence spending.

The scale of the sector is difficult to measure partly because its boundaries are not easy to define.

The sector embraces voice and data communications equipment and management information systems for the armed forces, as well as detection and tracking equipment, and also spending on the sensor equipment which provides data for commanders and service chiefs to analyse a developing battlefield action.

Satellites are growing in importance as a crucial link in military communications. The associated equipment for the transmission and receipt of signals intelligence via satellites is also an increasingly central feature of capital defence equipment such as warships and aircraft, as well as for use by land-based headquarters.

The growing complexity of the intelligence and communications secter is illustrated by the development of artificial intelligence systems and so-called knowledge-based systems.

Systems Designers, one of the UK's major systems and computer software houses, with operations in the US and Europe and a turnover of over $55m, has a capability in several artificial intelligence and "expert systems."

The company's SAGE system has been developed to enable human expert knowledge to be stored for use interactively by operators.

The company also has developed demonstrator projects using artificial intelligence, which is expected to have its main uses in military applications, especially where the mushrooming complexity and diversity of information from growing numbers of sensors is steadily eroding the ability of the human military mind, unaided, to cope.

Several large-scale modernisation programmes in the field of military command, communications and information systems (CCIS) have been put in hand in recent years.

One of the largest in the UK has been the decision to modernise the command and communications system for the Royal Air Force and other air forces operating in and around the UK. This is the United Kingdom Air Forces command, control and information system, UKAIR CCIS, for short.

The information from sensors is eroding the mind's ability to cope

Other recent investment in communications systems includes the upgrading of the United Kingdom Air Defence Ground Environment systems, UKADGE. This is a programme to install modern, mobile radar sets and communications and information-processing equipment at RAF stations around the country.

UKADGE is on the way to be complete and is expected to be fully operational in about 1990. The aim is to provide the Royal Air Force with essential modernisation to give the UK's air defence system a real-time picture of aircraft movements in the UK air defence region.

UKADGE, including aircraft associated with the air defence of the UK, is expected to cost more than $5bn by the time it is operational. It will integrate with the RAF's squadrons of Tornado interceptors and Boeing E-3A Awacs airborne early warning aircraft.

The radar equipment and data processing and communications links at the heart of the improved United Kingdom Air Defence Ground Environment is likely to have cost more than $400m by the 1990s.

This followed the initial £100m contract awarded by the Ministry of Defence to UKADGE Systems, a consortium of Hughes Aircraft, Marconi and Plessey, each with a one third share.

The Marconi Radar Martello S723 mobile radar is one of the detectors used in UKADGE. The radar can "see" in three dimensions. Other radars operating in three-dimensions in the improved UKDGE system include the General Electric GE592 radars and AR320 radars developed jointly by Plessey Radar and ITT-Gilfillan of the US.

Frost & Sullivan, US-market research analysts, forecast that communications equipment will account for a relatively small, but growing, proportion of the total spending on electronic microwave components, crucial to so many electronic defence systems, by 1990.

The communications sector accounted for $655.1m of the $2,994.2m spent on microwave systems procurement and research in 1986. This compares with a forecast by Frost & Sullivan of $809.6m likely to be spent on microwave systems for communications equipment in 1990.

Many of the companies in the microwave components sector are small and many are under pressure from electronic warfare systems manufacturers for higher volumes and rapid production of components, the market research company says in a recent report.

Lynton McLain

Munitions

Collaboration a key factor

THE DEVELOPMENT and production of munitions, missiles and military equipment provides an enormous amount of work for the defence industries of the Nato countries.

This equipment is fundamental for the functioning of contemporary armed forces. Service chiefs recognise that conventional munitions will be needed for the foreseeable future, since the weight of metal that can be thrown at an enemy from conventional guns remains a telling measure of armed strength.

This is despite advances in technology that bring weapons with electronic intelligence to the battlefield.

Such advanced weapons include the most complex versions of the multiple launch rocket system, MLRS, in service with the US Army and to be bought by the UK, France and West Germnany.

Earlier this year, the US Army finished its initial deployment of MLRS fire units, made by the LTV corporation. The basic MLRS rocket system is being developed to provide a variety of terminally guided sub-munitions, small bomblets that are dispensed after firing by the basic rocket over, for example, an enemy tank formation.

The terminally guided sub-munitions then seek individual targets and fire down to explode on a tank's vulnerable top.

MLRS is designed to provide saturation bombardment of a battlefield, with each rocket able to deliver 644 separate munitions over 30km. It is likely to displace some conventional heavy artillery.

Production and procurement of MLRS is going ahead for deployment in the late 1980s and 1990s. Dynamit Nobel in West Germany has developed an anti-tank munition for the German Army's light artillery rocket system and mine scattering system. This reflects the way in which the basic MLRS rocket system can be adapted to meet the needs of individual customer nations.

In the US, Aerojet and Honeywell are competing to develop a sophisticated "search and destroy armour" version of the basic MLRS rocket. A four-year development programme is expected to start shortly.

The member countries of Nato have yet to find a way of harmonising their requirements for conventional munitions such as shells and, to a lesser extent, bullets. Nato has adopted, as its standard, ammunition of 5.62mm calibre, but there is no Nato-wide production and procurement programme.

Most Nato countries tenaciously retain their own munitions factories, despite the benefits that could come from greater harmonisation. Few attempts have been made to seek greater collaboration in these conventional munitions, possibly because the level of complexity, and hence cost, is low.

In more complex systems, an unusual and successful example of collaboration in international arms procurement was announced in November, when Canadair, a subsidiary of Bombardier, the Canadian corporation, signed contracts with the governments of West Germany, France and Canada for the manufacture of airborne surveillance systems.

The contract is important for Canadair; at $410m Canadian it is the largest export order in the company's history. It is also one of the largest defence export orders ever won by a Canadian company.

Three quarters of the cost of development and pre-production was covered by the West German government and 25 per cent by the Canadian government. The French government contracted development directly with Societe Anonyme de Telecommunications of France to provide the optical electronics.

Under the contract, Canadair is to manufacture a number of CL-289 systems for delivery to West German and French forces.

The system is the first corps-level system of its kind and comprises a pre-programmed and reusable unmanned drone which carries photographic and infrared linescan sensors. It has been developed, in part, to replace humans with machines, because of personnel shortages in armed forces.

Canadair is the prime contractor and systems manager for the CL-289, and Dornier of West Germany is the principal subcontractor.

Nato members have yet to find a way to harmonise their requirements for shells and bullets

The complexity of this system and a perceived common requirement and the need to share development costs led to collaboration. There have been other examples of international collaboration in the defence field, but generally for larger projects.

These include such established large-scale projects as the Anglo-German-Italian Tornado fighter bomber, but there are fewer examples of smaller scale projects involving international collaboration

In Europe, West German and British companies are collaborating on the possible future production of the US Amraam, advanced medium-range air-to-air missile, in Europe. In September, a joint company was formed between British Aerospace and Marconi Defence Systems from the UK and Messerschmidt-Bolkow-Blohm and AEG of West Germany, to compete for the European manufacture and support of the Amraam.

A report on military aircraft and missiles from Frost & Sullivan, market research consultants, earlier this year, showed that there is a "temporary lull" in the production of jet fighter aircraft.

"This will skew the market from its present shape: whereas fighters represent almost a third of the present market output by value, and missiles just over a fifth, by 1991, the missiles will be approaching a third of the market and fighters will descend to a quarter." (In 1986, $5.1bn in fighters and $3.5bn in missiles were produced in Europe).

Frost & Sullivan expect 35,000 missiles to be produced each year between 1987 and 1991. The Roland surface-to-air missile, the Milan anti-tank missile and the HOT anti-tank missile (from the Franco-German collaboration through Euromissile), will top production in unit numbers.

The French Aerospatiale Exocet anti-ship missile is expected to come second to the Roland missile in value in the period 1987-91.

Lynton McLain

UK COMPANY NEWS

WH Smith in $6.7m Hawaiian expansion

THE WH Smith Group is taking its global expansion strategy a stage further via the acquisition by its US retail arm of 32 outlets in Hawaii, bringing the group's total in the islands to 35, and in the US to 308.

The stores, located primarily in hotels and resort centres, have been purchased from local retail group Pomare for an amount not to exceed $6.7m (£3.63m) plus stock.

Mr Simon Hornby, chairman, said the acquisition fitted perfectly with the declared strategy of expanding retail business in the US.

"This is a good opportunity to expand into the resort market in Hawaii, which is a place where more than 5m visitors spent their holidays last year," he added.

Zetters expands bingo activity

Zetters Leisure is acquiring Hereford Entertainments Agency, which operates a bingo club in Hereford.

Consideration is to be satisfied by the issue of 625,000 new ordinary shares which puts a value of some £800,000 on the deal.

Additional consideration of up to £125,000 satisfiable at the company's option in cash or shares may become payable depending on the extent of audited net current assets at completion.

The audited net profit of Hereford for the year to May 31 was £6,729 after directors emoluments of £62,381. Assets at that date were £172,586.

The vendors have agreed to retain at least 80 per cent of the new shares they receive for a period of one year from completion.

Fitch Lovell buys

Fitch Lovell has acquired Freebooter Seafoods for an initial consideration of £2.13m comprising £359,312 in cash and the issue to the vendors of £770,000 new unlisted 9 per cent unsecured loan stock (convertible into Fitch ordinary at 340p per share from January 1989) and £1m new unlisted variable rate unsecured loan stock.

Further consideration may be payable up to a maximum of £2.9m.

Freebooter manufactures value-added frozen fish products and its pre-tax profits for the year ended September 30 amounted to £443,000 on sales of £7m.

TNT acquisition

Agreement has been reached for a TNT subsidiary to acquire J. McPhee & Son (Australia) and another subsidiary to acquire Colton Carriers (Victoria) and all the issued units in The Colton Carriers (Victoria) Trust, entities carrying on the business of McPhee Transport in Australia.

The vendors of these entities have agreed to subscribe for and the directors of the company have agreed to allot an aggregate of 1.7m ordinary in TNT for cash at $3.50 per share.

Yorkshire TV tops £13m and set for further rise

BY FIONA THOMPSON

Yorkshire Television Holdings yesterday reported profits 52 per cent ahead at £13.54m for the year to September 30, 1987, compared with £8.93m last year. It was a "very successful year," said *Mr Paul Fox*, managing director. "And we look forward to more progress coming up."

Net advertising revenue rose by 16.5 per cent to £119.6m from £102.64m, lifting Yorkshire's share of the total ITV network advertising revenue from 9.0 per cent to 9.2 per cent. The company's ad growth was 20 per cent better than the network's 13.9 per cent growth, Mr Fox said, adding that Yorkshire's share would "hold solid" in the present financial year.

Turnover increased from £110.9m to £128.55m. Apart from advertising's £119.6m contribution, sales of programmes to Channel 4 contributed £4.07m, against £2.83m last year. Among the independent television companies, Yorkshire is *now* the leading supplier of programmes to Channel 4.

Overseas sales were affected by the weakening US dollar and exchange rate problems in Australia. Sales to America fell from £2.23m to £1.35m, while overseas sales elsewhere showed an increase at £1.45m (£1.06m).

Extended daytime hours on ITV gave the company additional airtime to sell, as did the late night transmissions on Thursday, Friday and Saturday. These would probably be extended to seven nights in February, said Mr Fox.

Programme costs rose to £20.13m from £18.85m. The Exchequer levy increased to £6.43m from £3.37m. A provision of £1.14m was made for future Channel 4 subscription payments.

Improved labour relations were leading to better work practices, said Mr Fox. Moves had been made on eliminating sectional claims and automatic replacement for those leaving or retiring, and significant advances made on new technology and location crew levels.

Earnings per share advanced to 24.2p, compared with 16.1p. A final dividend of 5p (4p) was proposed, making a total for the year of 8p, against 6.25p last year.

● comment

Yesterday's figures surpassed most expectations and the shares rose 12p to close at 215p. There is every indication that Yorkshire will hold its 9.2 per cent share of advertising revenue in this financial year, and, though forecasters are expecting that the network's net advertising revenue will grow more slowly in 1988 – rising by 9.4 per cent – Yorkshire's is expected to increase by 10.5 per cent. Overseas sales disappointed this time but show signs of improving, and UK sales are very strong, Countdown and Seven Days being particularly successful. Yorkshire contains production costs well. Its overtime costs are high but its head count is low – and overtime is more easily cut then jobs. The City is looking for pre-tax profits this year of about £16m, producing a prospective p/e of 7.5.

AJS calls Drayton meeting

BY NIKKI TAIT

AJS Partners, the New Jersey-based investment partnership which has built up a 25.25 per cent stake in MIM-managed investment trust, **Drayton Japan**, yesterday called for an extraordinary general meeting of the trust.

At the meeting, AJS wants shareholders to approve a motion which would require MIM to put forward a discount-eliminating scheme for the trust.

According to AJS's advisers, Kleinwort Benson, its clients have an open mind on the possible nature of those proposals - be it a unitisation, or some more complex reorganisation. However, they have requested that the proposals are put forward within 30 days of the first meeting - assuming shareholders back the discount-eliminating initiative.

AJS says that it is calling for the meeting because it is concerned at the high discount recently.

"Over the 12 months preceding the first announcement of AJS Partners' interest in Drayton Japan, the discount averaged more than 24 per cent", maintains AJS.

In its statement, AJS adds that its principal partner is Princeton/Newport Partners - a US limited partnership with capital of $1.4m. PNP, it says, now has 88 partners and aims to identify and trade in incorrectly valued securities worldwide.

Last night, MIM confirmed that it has received the request and that it was aware of the requirment to call a meeting. However, it described the 30-day deadline for the second meeting as "unreasonable".

MIM itself has built up a 21.5 per cent voting stake in face of AJS's own aggressive interest.

KIO builds up stake in BP to 13.1%

By Richard Tomkins

The Government of Kuwait yesterday confirmed that its stake-building in British Petroleum had continued. It now holds 13.07 per cent of Britain's biggest company, up from the figure of 11.52 per cent announced last week.

The stake is held by the Kuwait Investment Office, the London investment arm of the Kuwaiti Ministry of Finance. It has been picking up the unwanted BP partly-paid stock which was issued in October's offer for sale.

BP said yesterday that it had nothing to add to its earlier statement in which it welcomed the presence of an international shareholder of an institutional nature.

Stock market analysts expect the KIO to continue buying until it has about 15 per cent of BP.

Beyond this level, the KIO will face Stock Exchange restrictions on the pace at which can accumulate more BP shares. More important, however, the 15 per cent level represents a pyschological barrier beyond which the KIO's presence would be perceived as a threat to BP's independence.

Dealings in the partly-paid stock were again active yesterday, with volume at 17m compared with 5m in the fully-paid variant.

Fuller up 32% at mid-term

Fuller Smith & Turner, USM-quoted London brewer, lifted pre-tax profits by 32 per cent to £3.22m on turnover ahead from £21.31m to £23.84m in the six months to October 2.

After tax of £1.17m (£925,000), earnings per £1 share worked through at 13.83p against 10.1p last time. The interim dividend is lifted to 2.2p per "A" share (1.8p).

Mr Anthony Fuller, chairman, said that beer volumes showed a satisfactory increase helped by the successful launch of K2 lager. Managed houses produced excellent results while both the wholesaling of wines and spirits and off-licenses increased contributions considerably.

He warned however, that the same growth rate was not expected to be maintained for the full year.

Whitecroft lifted by property and building supplies to £4.8m

BY HEATHER FARMBROUGH

PROPERTY completions and building supplies boosted profits at **Whitecroft**, the industrial holding company, by 34 per cent from £3.59m to £4.82m pre-tax for the six months to 30 September 1987. Turnover expanded by £12m to £66m.

Operating profit rose by 46 per cent to £4.8m, but the interest charge increased from £171,000 to £458,000. The higher interest charge related to amounts charged on the disposal of completed development projects.

The timing of these produced considerably higher profit than in the first half of last year.

Textile sales were strong, especially in bookcovering materials. Improved margins in the commercial and domestic lighting division were attributed to innovative design and product applications.

The building supplies division was able to increase margins after a significant improvement in merchanting, rebuilding certain sites and greater expenditure on training.

Earnings per share were 10.25p (9.51p) while the interim dividend was increased from 3p to 3.45p.

Mr Tom Weatherby, the chairman was confident about prospects for the second half of the year and unconcerned about recent currency trends. Whitecroft exports about £10m sales a year, of which only £2m is to North America and has covered its large scale buying activities.

He was also optimistic that the group would be relatively well protected in the event of a recession. "Many of our highly specialised products in textiles such as medical fibres are not affected by consumer spending," he commented.

Whitecroft has no property developments in the City of London. Its property portfolio is split between office and retail, but the company is seeking to expand its exposure to office developments rather than retail.

So far this year, the company has spent £8m on acquisitions, having raised £15m in January. Gearing stands at 30 per cent.

PROFIT BEFORE INTEREST (£m)		% change
Textiles	1.9	29.6
Bldg. supplies	1.0	66.3
Lighting	1.9	18.5
Property dev.	0.9	185.6
Central costs	*0.4	92.8
TOTAL	5.3	40.3

*Deficit

● comment

After a dull past as a solid yield stock, Whitecroft is threatening a little excitement. Over the last three years, it has undergone a subtle management change at the top, made some sensible acquisitions and developed some strong products. It has emerged from a collection of textile companies, one being the original home of Mr Weatherby, into a mini conglomerate. It has remained comprehendable, with businesses clearly divided into four divisions. Acquisitions have been and will be restricted to these areas. Earnings growth has lagged profits due to the rights issue, but next year should give Whitecroft the chance to show what it can achieve. Pre tax profits for the year should reach £12m, which values the shares on a prospective p/e of just under 11. This may not be particularly cheap, but the shares are well supported by a prospective yield of 5.9%.

Respite for TR Technology

BY NIKKI TAIT

Berkeley Govett, the fund management group which is advising Jersey-based investment company, Firmandale, over its involvement with the £300m TR Technology Investment Trust, yesterday withdrew its request for an extraordinary meeting of shareholders.

At the meeting, Berkeley Govett and Firmandale had planned to put proposals to shareholders, suggesting that the fund should be turned into a split level investment trust with Berkeley Govett taking a hand in its management.

Yesterday, however, Berkeley Govett said that there had been contact with the board of TR Technology over the past week, through its advisers and with major shareholders. The contact had centred on possible compromise proposals.

"As a consequence of the board's response and as a goodwill gesture, the requisition is being unilaterally withdrawn in an effort to promote a mutually acceptable resolution of the future of TR Technology," said a statement from Berkeley Govett. Firmandale has built up a 27 per cent interest in TR Technology.

The withdrawal of the requisition notice was met with muted pleasure in the Touche Remnant camp. Its advisers, Morgan Grenfell, maintain that this was one of the pre-conditions for getting discussions going again; the second was that Firmandale gave further details about its ultimate ownership and the financial institutions and banks which have provided capital to it. Yesterday, Morgan Grenfell conceded that additional information had been supplied, but says that some matters are still unclear.

"Nothing is an absolute sticking point," commented Mr Peter Cadbury, corporate finance director, "but the only climate for productive discussions is if everything is in the open."

No meetings between the respective advisers have yet taken place or been set up. The two sides did originally discuss joint proposals, which would have entailed Berkeley Govett getting some management role in the trust, but these were then rejected by the trust's board.

Brent Walker links up to redevelop Trocadero

BY WILLIAM COCHRANE

Brent Walker, the leisure and property group, has linked with retail development and construction industry partners to redevelop the Trocadero, the 370,000-sq ft retail and leisure complex in London's Piccadilly Circus, which it bought for £90m in September.

Power Corporation, the upmarket Dublin shopping centre developer, and AMEC, the construction group formed by the merger five years ago of Fairclough Construction and William Press, are each to take 25 per cent shareholdings in a new holding company for the project, Walker Power *Corporation*, leaving Brent Walker with the other 50 per cent.

Walker Power will buy the Trocadero and its adjoining island site for an indicated price of £100m with a further £5m due to Brent Walker if rents for the office content of the project exceed predetermined levels. Chartered surveyors Weatherall, Green & Smith have valued the properties at not more than £105m.

Proposals for the redevelopment of the Trocadero include a five screen cinema complex, a cabaret restaurant, a new casino and other leisure attractions.

Finance of up to £135m for the refinancing of loans relating to the sites and for their redevelopment will be provided through a syndicated loan managed by Standard Chartered Bank.

Craton Lodge 15% higher at £695,000

Craton Lodge & Knight, USM quoted product consultants, marketing and research, has reported a 15 per cent increase from £605,000 to £695,000 in pre-tax profits for the year to September 30, against a 38 per cent increase to £4.7m in turnover.

After tax of £253,000 (£245,000) earnings per 1p ordinary were 7.77p (6.36p) and the total dividend goes up from 2.2p to 2.5p with a final of 1.8p.

The directors say the CLK group expects demand for its product consultancy services to increase. PHL, the specialist market research company acquired in May, performed better than expected.

Most recently the group has turned its attention to international markets. In September it established CLK International primarily as the vehicle to promte its services overseas. The first positive results from this initiative have begun to show, in a major assignment for a foreign trade commission in Europe

Staks for the Third

Staks Holdings, a retail and wholesale chain which sells china, glass and basketware, is joining the Third Market via an introduction.

The company has 22 stores plus five "shops-within-shops" in MFI outlets. In the year to April, Staks moved from a loss of £469,000 to a pre-tax profit of £252,000.

Transcontinental board to meet

BY MIKE SMITH

Directors of **Transcontinental Services**, the investment company in which Banner Industries has recently acquired a large block of shares, are to meet tomorrow to decide on their next course of action.

Transcontinental has been in talks with Mr Jeffrey Steiner, Banner chairman, since Banner informed the company earlier this month that it had gained de facto control following share purchases by itself and associates.

The company said yesterday that the talks, aimed at protecting the interests of remaining shareholders, were progressing satisfactorily.

Transcontinental has also sent out the annual report for last year and the interim report for the first half of the current year. Since the report was prepared CDFC Trust hasraised its stake from 7.2 per cent to 10.5 per cent.

Cronite £0.7m acquisition

Cronite Group has contracted to purchase F. Atkinson (Nottingham) for £675,000 cash. This will expand its services to the furnace heat treatment market.

In the year ended January 31 1987, Atkinson made a profit of £87,000 from turnover of £1.64m.

Assets being acquired will be £663,000.

FKB ahead at interim stage

FKB Group, a marketing and sales promotion agency which transferred from the USM to a full listing in August, raised its first half profits by £550,000 to £1.36m pre-tax and is paying an inaugural interim dividend of 2p.

The profit was struck after taking into account £84,000 relating to move to full listing and paying £33,000 compensation to a former director.

Turnover for the half year to end-September rose from £5.97m to £12.58m. Earnings per 5p ordinary worked through at 6.87p (5.08p).

BOARD MEETINGS

TODAY

Interims- BBB Design, British Land, Brookmount, Craig Shipping, Hidong Estate, Jack L. Israel, Old Court Currency Fund, Plysu, Porter Chadburn.

Finals- Bett Brothers, J.A. Devenish, Electronic Data Processing, Guinness Peat, Johnson and Firth Brown, Paxtons (GB) Richards, G.W.Thornton, Vaux, Viking Packaging.

FUTURE DATES

Interims-	
Amalgamated Financial	Dec 22
Baileys	Dec 21
Buckleys Brewery	Dec 21
Business Mortgage Trust	Dec 17
Finals-	
Dewhurst	Jan 7

UK COMPANY NEWS

B & C issues £100m loan stock

BY STEVEN BUTLER

British & Commonwealth Holding, the financial services group chaired by Mr John Gunn, yesterday broke into the sterling debt market with the issue of £100m of 25 year loan stock.

The issue marks an important departure for the group, which has financed its expansion by equity issues and short term debt and Mr Gunn said B & C would continue restructuring its debt over the next six months, as market conditions allow, with the issue of a variety of debt instruments.

The stock will have a coupon of 10.5 per cent, with an issue price of £91.545 and a gross redemption yield of 11.539 per cent. The prices was aimed at achieving a yield 1.75 per cent higher than the 13½ per cent Treasury Stock 2004/08.

Mr Gunn stressed yesterday that the issue was part of a cautious strategy aimed at insuring the group would have adequate resources to finance its long term expansion, and that it had calculated its projected earnings would more than justify the cost of the issue.

"Corporations do not go bust borrowing at 10½ or 11½ per cent," he said. "They go bust when they don't have any money. The important thing for us is not the yield but the maturity and the availability".

Mr Gunn said that he expected other companies to begin entering the sterling debt market shortly and that he wanted to be certain that B & C would be adequately funded before the market becomes saturated with issues from more heavily capitalised companies.

Much of the money to be raised is earmarked at funding the cash portion of the offer for Abaco Investments, announced last week.

Mr Gunn said that B & C was neither taking a view on the direction of interest rates nor the equity markets, but that the funds were offered to the group and that B & C would not pass up the opportunity in the present climate of uncertainty.

Abaco pays £3.8m for marine adjuster

BY STEVEN BUTLER

Abaco Investments, the professional services group being acquired by British & Commonwealth Holdings, yesterday moved to boost its insurance-related service division with the £3.8m cash acquisition of Wm. Elmslie & Sons, the marine average adjusters and consultants.

Mr Cameron Brown, Abaco managing director, said the deal was made possible by the B & C support.

Although Abaco is able to complete the acquisition with its own cash resources, he said, "I would not have been happy to go ahead with all cash without the knowledge that B & C is backing us."

Mr Brown said that Abaco now felt free to continue with itsacquisition programme for professional service companies and partnerships that had been virtually halted by the crash in share prices.

Elmslie is to work closely with Toplis and Harding, Abaco's loss adjusting and marine surveyor with the intention that both businesses would benefit by mutual referrals. A loss adjustor assesses the size of a damage claim, while an averager mediates among parties involved in a claim to apportion responsibility.

Mr Brown said the acquisition was part of the Abaco strategy of breaking down traditional barriers among fragmented professional services.

Elmslie made pre-tax profits of £499,000 in the year to the end of April, on a turnover of £2.8m. Some £1.15m of the turnover came from average adjusting activities, while £1.68m came from consultancy services to the oil and energy related industries.

● British and Commonwealth Holdings said yesterday that it now holds 29.9 per cent of Abaco, after buying 6.6m shares on Friday at 68.5p. It has made a general offer for Abaco shares that was yesterday worth 69.4p per share.

Arthur Lee rises 26% to record £4.1m

BY STEVEN BUTLER

Arthur Lee & Sons, the steel and plastics company, reported record pre-tax profits of £4.13m for the year ended September 30, up 26 per cent from 1986. Sales rose 12.6 per cent to £82.51m.

The results, however, were not as strong below the line, where earnings per share rose 4.7 per cent to 9.1p. That reflected a rise in the tax charge from 17.6 to 31.3 per cent, as previous tax losses were used up.

A final dividend of 2.2p lifts the year's total from 2.6p to 3.2p per share.

Mr Peter Lee, chairman, said strong demand for the group's products had continued into the first two months of the new year, and the group would benefit from price increases in bright bar and strip steel that take effect in January.

Mr Lee said the company had not seen such brisk business since 1979.

Steel products accounted for 90 per cent of the group's turnover, and 96 per cent of operating profits. Sales had increased on the back of brisk demand from UK and European producers of automobiles, and consumer durables, general engineering, machine making, and construction equipment companies.

Orders for steel strip were full through the first six months of the reporting year. Orders for bright bar were also high, although these had increased in advance of the anticipated price rie.

Profitability in the plastics division improved in the later months of the year, resulting in an operating profit of £189,000 on a turnover of £8.06m. Mr Lee said the company was aiming to achieve margins in the division of between seven and eight per cent, although this would not happen in the near term.

Gearing amounted to 5.8 per cent at the year end.

● comment

Arthur Lee once again rewarded investors with a year of rock solid growth, following the darker days earlier in the decade. The slower growth of earnings, due to higher tax charges, should not overshadow this achievement, and other things being equal, 1987 ought to be a repeat performance. The company has refurbished its plants to deliver a higher quality product and reduce costs, and 1987 expenses in the newer and smaller plastics division should flow more strongly into the bottom line in 1988. With little borrowing, the company can easily afford an acquisition, should the right one come along. Forecast pre-tax profits of £4.8m in the current year would put the shares on a prospective p/e of 7.5 – a solid value in today's buoyant economy. But this would not be a defensive stock if events turn sour.

Guinness confirms gas sale

BY LISA WOOD

Guinness, the drinks group, has sold Distillers CO2, its UK carbon dioxide business for £45m in cash to Messer Griesheim, part of Hoechst, the West German chemicals group.

Distillers CO2 is a major supplier of carbon dioxide to a variety of businesses including brewers and industrial customers. The business was acquired by Guinness when it took over Distillers, the major Scotch whisky producer, last year.

On the year ended March 31 1987 sales by Distillerts CO2 were £33.3m and the pre-tax profit was £3.4m.

Guinness is selling Distillers CO2 as part of its strategy of concentrating financial and management resources on its core drinks activities. Other businesses of Guinness which have been divested include Martin the Newsagent and Drummond Pharmacy. Total proceeds from divestments are approximatly £400m.

Messer Griesheim's main activity is the manufacture and distribution of industrial gases including carbon dioxide and speciality gases for the electronics industry.

Mr Hans Kampny, a director of Messer Griesheim said:" We look forward to working with the existing management and employees of Distillers CO2 in enhancing its existing activities and developing new ones.

Citygrove £8.2m preference issue

BY RICHARD TOMKINS

Citygrove, the out-of-town shoping centre developer which was floated on the USM in October last year, yesterday unveiled plans to raise £8.2m to help fund future developments and said it was applying to move up to a full listing.

The company is proposing to issue 8.2m 7.75 per cent cumulative convertible redeemable preference shares at £1 each, all of which have been conditionally placed by Hill Samuel, the merchant bank, through stockbrokers Phillips & Drew.

Because the issue is large in relation to Citygrove's existing equity, shareholders will be given the right to apply for the new shares on a one-for-one basis. However, Mr David Woolf, chairman, has undertaken not to take up his rights to 42 per cent of the issue, so this portion has been firmly placed.

Citygrove said that until earlier this year, it had pre-sold all its retail developments either to retailers or institutions before work began.

The fund-raising would enable the company to increase borrowings while maintaining gearing at a prudent level. A placing of convertible equity had been chosen in preference to an ordinary rights issue because it was thought likely to produce capital on more advantageous terms in current market conditions.

Pentland seeks buy-in powers

By Richard Tomkins

Pentland Industries, the industrial holding company which holds the biggest single stake in the Reebok sports shoe group, yesterday joined the throng of companies seeking powers to buy in their own shares.

It posted a circular to shareholders yesterday asking permission to buy up to 27.9m of its ordinary shares, representing 10 per cent of the equity, at between 10p and 250p a share. They were at 103p yesterday.

If shareholders agree at an EGM to be held on January 14, Pentland will not be able to act until after the publication of its 1987 results,

The company said it only expected to invoke the powers if to do so would enhance earnings per share. Purchases would be made from funds otherwise available for investment.

If current market conditions persisted, Pentland said, purchases would probably be at a premium to net asset value. But it considered that the damage to the balance sheet would be more than outweighed by the enhancement of earnings.

Exchange rates hit turnover at Glaxo

By Richard Tomkins

Shares in Glaxo, Britain's biggest pharmaceuticals group, fell by 39p to 981p yesterday after its chairman said that results for the first five months of the current year had been hit by exchange rate fluctuations.

Mr Paul Girolami told the AGM yesterday that the results, measured in sterling, were heavily influenced by changes in exchange rates, particularly that of the dollar, and figures for the five months to November 30 had been harder hit than in the past.

Provisional figures for the period showed turnover of £770m. Had exchange rates been unchanged from the comparable period, the figure would have been £880m - a 21 per cent improvement on the previous year's figure.

Mr Girolami said fluctuations in exchange rates which produced a distorted picture of the group's performance had little to do with the fundamental soundness or real growth of the business.

He also warned against taking five months' sales figures as a basis for profits forecasts for the half or full year. Other factors included an inevitable slowing down in the rate of growth of the company's older products and the increasing cost of expansion programmes.

A number of exciting compounds were under development, however, and the prospects for turning these into major new products were now "very real indeed."

Parkinson gets £150,000 pay from Benlox

By Nikki Tait

Mr Malcolm Parkinson, the former Woolworth director who joined Benlox Holdings to assist in its "demerger" bid for Storehouse, is being paid £150,000 a year by the small civil engineering and investment dealing company.

Mr Parkinson's salary is disclosed in the latest circular from Benlox, which again criticises the management of Storehouse. Mr Parkinson, says the circular, has a four-year service agreement with Benlox which commenced on November 23. If the bid fails, Benlox can terminate the appointment seven months after that.

Mr Parkinson's salary is somewhat higher than that of Sir Terence Conran, Storehouse's chairman, in 1986-7; he was paid £99,517 in the year to April. However, Benlox argues that the remuneration level is comparable to that which Mr Parkinson was earning at Woolworth, where he had been chief executive of the Woolworth chain stores in the 12 months immediately ahead of his departure.

Reasons for Mr Parkinson's departure in early-November were never fully explained, but were generally believed to centre on the future strategy of the Woolworth chain.

Yesterday, the Takeover Panel again expressed its concern at recent press speculation over levels of acceptances which Benlox may or may not be attracting. Such statements, said the Panel, should be treated with caution unless corroborated by hard evidence.

Incorp Earl, advising Benlox, however, maintains that it has made no statements to third parties other than the level of acceptance announcements on the two closing dates.

The third closing date for its Storehouse bid is on Friday, with the following Monday representing day 60 - the last possible close. At the second close, Benlox owned or had acceptances on behalf of 1.86 per cent of Storehouse's shares.

Banro venture

West Midlands based Banro Industries, through its Edward Rose (Birmingham) subsidiary, has formed a joint venture in the UK with YMOS AG of Germany, a leading supplier of original equipment to the European motor industry.

The new company, EDROSE-YMOS (UK), will be based in Brownhills, West Midlands, and will initially manufacture steering, door and boot lock sets for UK customers.

Sharp & Law

Shares in Sharp & Law, a shopfitter which came to the Unlisted Securities Market last May, were suspended at the company's requesrt yesterday morning pending an announcement.

McCorquodale helps lift Norton Opax to £25m

BY CLAY HARRIS

Norton Opax, Britain's second largest commercial printing group, yesterday reported pre-tax profits of £25m for the 18 months to September 30, the first full financial period since the acquisition of McCorquodale late last year.

This compares with £6.2m pre-tax achieved by Norton Opax in its previous full year, to March 31 1986.

Norton Opax has changed its year to end-September to coincide with McCorquodale, which accounted for nearly £16m of the pre-tax total in the 10 months it was part of the group. The figure includes £3m in savings achieved by post-acquisition rationalisation.

Earnings per share rose to 18.03p. The annualised figure of 12.02p was 21 per cent higher than the 9.9p achieved in 1985-86, confounding fears that the McCorquodale takeover would result in earnings dilution.

Mr Robert Maxwell, meanwhile, has bought another 900,000 Norton Opax ordinary shares to raise his total to 23.56 per cent from 22.4 per cent. He also holds about 24.2 per cent of the company's convertible preference shares.

The latest purchases will be reported to the Office of Fair Trading, as well as disclosed to the Stock Exchange. The OFT decided at the end of June that Mr Maxwell's stake in his fellow printer, a relic of the hard-fought takeover battle, would not be referred to the Monopolies Commission.

It gave unofficial guidance, however, that any future share purchase by Mr Maxwell might lead to a referral. Norton Opax emphasised yesterday that it viewed Mr Maxwell as a competitor and that he had access to no privileged information.

The group's pre-tax margin improved from 7.2 per cent to 9.6 per cent, close to the 10 per cent target set by Mr Richard Hanwell, chief executive. Trading was above budget in the first two months of the current year.

Turnover, including the share of sales of associate companies in Brazil and South Africa, rose to £247.1m (£72.1m). The Brazilian business forms joint venture contributed profits of only £750,000 compared with £2m forecast by McCorquodale.

The tax charge fell from nearly 38 per cent to 30 per cent, as a result of McCorquodale tax losses.

An extraordinary credit of £2.24m (£1.8m) mostly represented profit on disposals of subsidiaries, but also included profit on the sale of property and McCorquodale's Extel shares.

Some £200,000 in redundancy costs was included in the extraordinary item, but £18.5m had also been written off against pre-acquisition reserves. Rationalisation at McCorquodale has reduced employment by 295.

A final dividend of 2p (2.5p) follows interims of 1p and 3p and makes a total of 6p (3.5p).

RESULTS BY ACTIVITY (£m)

	Sales	Trading profit
Security products	38.2	6.9
Special products	36.9	3.9
Packaging	41.0	4.7
Book printing	31.4	3.5
Magazine printing	32.1	1.6
Commercial print.	32.2	3.5
TOTAL UK	211.8	24.1
International	38.6	5.1
Discontinued	10.1	1.7
Central costs	—	*2.1
GROUP TOTAL	260.5	28.8

*Deficit

● comment

Of seven divisions, none accounted for more than 16 per cent or less than 12 per cent of sales. The balance is more or less repeated at the profit level, although market leadership in security products – it is Britain's largest printer of chequebooks – translates into suitably handsome margins, while not all the losses have been squeezed out of McCorquodale's magazine printing operations. The latter area and packaging are the most likely sectors for UK acquisitions; others would face close scrutiny. Overseas expansion is at the top of the list. The fortunately timed rights issue in August has left gearing, excluding hire purchase, at nil, so Norton Opax can move swiftly for cash, when it finds the right target. The group's breadth could, however, attract a break-up bid. Even had he the desire, Mr Maxwell himself has no hope of getting one through regulators, but the stake could always find a new home. Takeover speculation aside, the group should achieve £30.5m this year. Although the shares gained 11p to 116p yesterday, the prospective is still less than 9.

Maxwell in £100m purchase

BY CLAY HARRIS

Maxwell Communication Corporation is to pay up to £100m in cash for the electronic publishing and book publishing activities of the private Pergamon Group, majority shareholder in MCC, formerly BPCC.

The purchase price was reduced from the £111m originally announced last month by Mr Robert Maxwell, chairman of Pergamon and of MCC.

MCC plans to pay an initial £22.2m for Pergamon Orbit Infoline, US-based electronic publishing and information services business; £21.5m for Molecular Design, US-based supplier of software systems for chemical information; and £12.3m for Pergamon Books, publisher of scientific, technical, medical and defence books.

The £56m total can be supplemented by further payments of up to £44m linked to profits in 1987 and 1988.

MCC is also separately buying for $12.5m (£6.8m) property in Greenburgh, New York, occupied by Pergamon Books and Pergamon Journals. The latter was bought by BPCC in 1986.

The deal is intended in part to bring the Pergamon imprint back under the same ownership, but more important to create what MCC described yesterday as an "international multi-media business which, by virtue of its size, diversity and quality, should be at the forefront of the scientific-technical-medical publishing industry."

The transaction is subject to approval by MCC shareholders at an extraordinary general meeting to be held on December 31. Neither Pergamon, controlling 51.3 per cent of MCC, nor certain MCC directors conected with Pergamon companies will vote at the meeting.

See Lex

Ward White in DIY purchase

BY NIKKI TAIT

Ward White, the acquisitive retail conglomerate, yesterday announced that it is bolstering its UK DIY interests with the purchase of Paul Madeley (Holdings), a privately-owned DIY retailer, for £27m in cash.

The acquisition, according to Ward White's chairman and managing director, Mr Philip Birch, will strengthen the company DIY presence in the South-West of the country. Ward White already takes in the Payless chain, but these operations are predominantly in the south-east, and northwards.

Madeleys is based in Leeds and has 26 stores, concentrated heavily in Yorkshire, Devon, Cornwall and Wales. In the year to end-August it made pre-tax profits of £2.4m on sales of £30m. Its net assets at that date stood at £6.1m, and Mr Birch said yesterday that the company comes with a net cash balance of £1.3m.

Ward White plans to merge the Madeley operations with those of Payless, although a seperate trading name may be retained in the short-term. Payless itself has 75 stores, making it the fourth largest DIY retailer in the UK.

Ward White has recently finished disposing of the unwanted part of LCP Holdings.

Interest rise pegs P. Harris growth

Higher interest charges restricted the growth of **Philip Harris (Holdings)** in the half year ended September 30 1987. Pre-tax profit moved up from £545,000 to £590,000 after interest of £140,000 (£26,000).

The group makes scientific and educational apparatus. Its turnover in the period rose to £27.72m (£24.1m) and the directors said progress was being made. Proceeds of the September rights issue were not effective in the period.

General international sales increased but margins would be squeezed to obtain the full year sales projections, particularly with the strengthening of sterling.

Earnings were 5.77p (5.5p) per share and the interim dividend is raised to 2p (1.875p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Brasway	int	0.3‡	Feb 26	0.25*	-	0.65*
Brown & Tawse	int	2.4	Feb 17	2.2	-	7.2
Control Tech.	fin	2.5†	-	2	3.75	3
Craton Lodge §	fin	1.8	-	1.6	2.5	2.2
FKB	int	2	Apr	nil	-	3.35
Feller Smith §	int	2.2	Jan 14	1.8	-	5.1
Greene King	int	2.5	Feb 5	1.96	-	6.46
Harris (Philip)	int	2†	Feb 4	1.88*	-	5*
Lee (Arthur)	fin	2.2	Feb 19	1.8	3.2	2.6
Norton Opax	fin	2†	Apr 5	2.5	6‡	3.5
Palmerston Inv.	int	3	Jan 19	2	-	10
Vinten Group	int	1.25	Mar 31	1.05	-	3.3
Whitecroft	int	3.45	Feb 1	3	-	10
Yorkshire TV	fin	5	-	4	8	4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Unquoted stock. ♥Third market. ‡Carries share option. ‡For 18 months.

Greene King rises 17% at midway

BY LISA WOOD

Greene King, East Anglian brewer of Abbot Ale, yesterday reported pre-tax profits of £5.89m for the 26 weeks to November 1, an increase of 17 per cent on the same period last year.

Turnover at £49.91m was up by seven per cent but included a price rise of four per cent on beers which in turn showed a volume decline of about one per cent, in line with the market nationally.

The group said its 19 per cent increase in trading profit, to £5.46m, was assisted by close control of costs and the fact that the period came within a two year wage settlement.

Earnings per share rose 15 per cent to 9.1p (7.9p) withthe interim dividend set at 2.25p - a rise of 15 per cent.

Greene King has breweries in Bury St Edmunds and Biggleswade. It has some 780 public houses, 33 off-licences, small leisure interests and a 25 per cent stake in Harp Lager which it sells as its main standard brand. Associated companies, including Harp, contributed £399,000.

Mr Simon Redman, managing director, announced yesterday that Greene King was to exercise its option to brew Harp with a £2.4m investment in the Biggleswade brewery to convert it to lager production from October 1989.

Recently Greene King rejected a proposal from Elders IXL, the Australian group which owns Courage, the national brewer, to take Foster's lager into its public houses. Elders, which has built up a 13.1 per cent stake in Greene King, has said it will not make a bid for the East Anglian brewer in the next six months.

Mr Redman said that while ale sales were slightly down those of lager, which account for 30 per cent of beer sales, were up. The free trade accounted for 51 per cent of sales with sales to supermarkets being small but at the premium -priced end of the market.

Greene King has made a small diversification into hotels with a 30 per cent stake in Butterfly Hotels, which has opened two hotels. These made a negative contribution to the balance sheet because of start-up costs but were trading above budget. "We want to develop a reasonably-sized chain." Mr Redman said.

Sports Nationwide, which operates three ice-skating and leisure complexes in the UK, made the expected loss in the first half but would probably contribute a small profit for the full year.

• comment

Greene King, which has a sizeable band of family and friendly investors, should be able to put up a reasonable fight with or without the help of the Monopolies and Mergers Commission should Elders IXL decide to make a bid for it next year. Pre-tax profits were ahead of market forecasts with Greene King "confident" of its performance for the full year. In the longer term the decision to brew Harp lager should improve margins in a business which has seen trading margins increasing in the half year through tight cost and financial controls. Greene King appears less sure of the future of its small diversifications into leisure which it hopes to expand. However organic growth is slow for such businesses and acquisitions difficult to find and costly. Analysts are looking for a full year pre-tax profit of in excess of £14m putting the shares, up 4p to 448p yesterday, on a prospective p/e of 20.

Brasway improves to £1.1m

Brasway saw its profits double from £503,000 to £1.08m for the six months ended October 31, and the chairman said he was "even more confident" about the year's outcome.

Mr R.A. Swaby reported that the group was strong organically. Although he wanted to seek and fund acquisitions he was very satisfied with the internal growth factor, following the high capital investment of the last four years.

The chairman looked forward to a significant improvement in the full results over last year's £1.4m pre-tax, and he saw "noreason to be less than most confident" for the foreseeable future.

November was very busy and progressive and all divisions, and the subsidiary Europower Hydraulics, performed well.

Turnover for the group, which makes tube and bright drawn bars, expanded in the half year from £9.47m to £15.72m; the profit this time included £28,000 exceptional credit - £140,000 surplus on disposal of plant less redundancy and director's compensation payments.

Earnings came to 1.89p (0.88p) and the interim dividend is raised to 0.3p (0.25p).

Palmerston advances to £185,000

Increased rents and charges receivable meant that despite a sharp rise in interest charges, pre-tax profits of Palmerston Investment Trust advanced from £153,639 to £184,753 in the half year to September 30.

The company, a property dealer and investor, reported rents and charges received up from £484,008 to £768,499.

Property outgoings took £220,698 (£196,415), but interest receivable added £4,756 (£351) and surplus on disposal of investments was little changed at £75,779 (£76,048).

Interest payable more than doubled from £183,043 to £407,638.

After tax £62,324 (£45,315) earnings per share were ahead from 13.27p to 15p. The interim dividend was up 50 per cent at 3p (2p).

The company's Central London portfolio has been cautiously built up in recent months and was composed mainly of individual properties fully let in units of between 1,000 and 5,000 sq.ft. for which there continued to be substantial unsatisfied demand.

Vinten at £1.2m as recovery continues

Vinten Group continued its recovery in the six months to September 30 with a 19 per cent increase in pre-tax profits from £1.01m to £1.2m.

In the year to March 31, the manufacturer of photographic, film and television equipment, reported profits of £3.11m compared with a corresponding loss of £400,000 after an exceptional provision of £1.5m.

Turnover for the half year rose from £12.78m to £14.19m and earnings per 20p share worked out at 3.7p (3.4p) after tax of £420,000 (£304,000). An interim dividend of 1.25p (1.05p) was declared.

Mr Ron Marler, chairman, said the second half had started satisfactorily but that the board took a cautious view of the after effects of the recent free fall in the world's stock markets and the current weakness in the US dollar.

The company was continuing its investment in capital equipment and there had been no reduction in development programmes for new and existing products.

Provided world economies did not suffer severe recession, Mr Marler was confident of further progress, not only in the current year but beyond.

Trading profit rose to £1.41m (£1.1m) and interest paid amounted to £204,000 (£86,000 - excluding £122,000 extraordinary debit). Attributable profit came to £781,000 (£709,000).

Brown & Tawse upsurge

IMPROVED demand and the aid of acquisitions enabled the **Brown & Tawse Group** to lift its pre-tax profit by £1.5m to £3.5m in the half year ended September 30 1987.

For the full year prospects were regarded as favourable, subject to demand staying firm, said Mr Douglas Rae, chairman.

Turnover of the group, distributor of pipeline and industrial products, was up from £51.74m to £68.2m while trading profit moved ahead from £2.5m to £4.1m.

Mr Rae said the surge in results reflected better demand for tube and steel products, increased contributions from acquisitions made last year and an initial one from Stauff group acquired in May.

From earnings of 8p (6p) the interim dividend is raised to 2.4p (2.2p). Last year's total was 7.2p from profits of £5.2m.

Marina up to £0.5m in first half

Marina Development Group, the UK's largest marina operator, which came to the USM in August 1986, revealed taxable profits sharply higher at £510,000 for the six months to end-September.

During the period under review, a controlling interest in Marina Development was acquired by a group of investors led by the Local London property group.

The first-half results, prepared on an acquisition accounting basis, were achieved on turnover up from £1.91m to £4.94m, and included an exceptional profit of £309,000 relating from the sale of Upton Marina.

Interest charges increased to £293,000 (£113,000).

After tax of £130,000 (£22,000), earnings per 50p share rose from 2.43p to 5.1p.

The directors stated that the results could not yet reflect the impact of the change in corporate policy, but the property expertise of the new board was now focused on the results of a review of the group's property assets.

They said that the six months results were encouraging and provided the basis for confidence in further improvements for the future.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Oilfield Inspection Services: Paul Bristol has purchased 566,744 ordinary shares, bringing his total holding to 1.63mshares.

Chillington Corporation: On December 7, K.P. Legg, director,bought 15,000 deferred shares at 80p and now holds 4.63m deferred shares (48.85 per cent).

ISA International: Between November 11 and December 8, Mr David Heap purchased the following shares:- 5,000 at 79p, 10,000 at 93p, 30,000 at 96p and 25,000 at 90p. Mr Heap now holds 1,916,370 ordinary (9.8 per cent).

Bowthorpe Holdings: On November 25, J.A.D. Wyness, director, disposed of 100,000 ordinary (0.064 per cent) at 145p and now holds 200,000 (0.128 per cent).

Renold: On December 1, J.P. Frost, director, acquired 31,600 (0.048 per cent) ordinary at 44.25p and 52,400 (0.081 per cent). On November 30 he disposed of 31,600 ordinary at 44p. He now holds 84,000 (0.129 per cent).

Ruo Estates Holdings: Lawrie Group has sold 30,000 ordinary shares and now holds 179,064 (13.2 per cent).

Heywood Williams Group: N.C.E. Tongue, director, sold 40,000 ordinary at 200p.

Eagle Trust: The following purchases at 12p took place on December 8:- J.W. Ferriday, chief executive, 1.24m ordinary,R.E. Smith, managing director, 1.24m, and C.P. Whiley, corporate development director, 778,240 ordinary.

Regalian Properties: Davstone Holdings, a company owned by D.J. Goldstone and members of his family, acquired 455,000 shares between November 3 and December 4 at prices ranging from 109p to 117p per share. Davstone now owns 5.43m shares (5.89 per cent).

LMG purchase

In a share deal, **London and Manchester Group** is buying George Irlam & Dugdale, an estate agent and valuer in Weston-Super-Mare and district.

Consideration is £1m. The number of shares to be issued will be determined by reference to market price.

Shellfish poison alert in Canada

By Robert Gibbens in Montreal

SCIENTISTS IN Ottawa and Halifax, Nova Scotia, are working round the clock trying to identify a mysterious toxin that has caused a federal government house alert concerning some fresh shellfish originating in Atlantic Canada and the Gulf of St Lawrence.

The alert covers fresh mussels, clams and oysters, but not lobsters.

About 100 people, mainly in Montreal, have been poisoned after eating mussels originating in the St Lawrence and Atlantic area, and one elderly man has since died.

At first the alert affected only mussels, but it has since been extended to clams and oysters. The American authorities have also issued a warning against imported mussels, clams and oysters from Atlantic Canada.

Several million dollars worth of shellfish stocks have been destroyed at the fisheries and through the distribution chain since the first alert a week ago. If the alert continues the whole Atlantic fishing industry could be adversely affected.

Federal scientists believe the toxin absorbed by some shellfish originates in naturally produced algae or bacteria normally found throughout the world's oceans.

Mackerel problem splits EC at fisheries talks

BY TIM DICKSON IN BRUSSELS

THE PROBLEM of migrating mackerel was proving a major stumbling block last night in key European Community negotiations on fish catch limits for 1988.

The difficulty has arisen over the EC's quota for so-called western mackerel, currently fixed for a zone to the West of Scotland but which Britain claims should now be broadened to take in an adjacent zone in the North Sea.

The argument, according to Britain's Fisheries Minister Mr John MacGregor, is that fish in the western zone have been crossing the dividing line between the two, known as four degrees west, thus making excursions by Scottish fishermen to pursue them illegal.

Britain was taking a tough line on the whole package of total allowable catches and quotas in an effort to secure the necessary flexibility. But Mr MacGregor was running into strong opposition from Denmark and Ireland, both of whom say that merging the zones would be a fundamental breach of the original principles of the Common Fisheries Policy.

Ireland was pushing for the TAC for mackerel to be increased from the Commission's current proposal for just over 380,000 tonnes to around 500,000 tonnes next year.

The simmering dispute, which flared up at a meeting of EC Fisheries Ministers in Brussels yesterday, was just one of several issues which the Danish Presidency of the Council was attempting to solve.

The North Sea cod quota, for example, which the Commission wanted to reduce from 175,000 tonnes to 148,000 tonnes, was proving divisive. Britain and West Germany were happy to compromise at 160,000 tonnes, Belgium and the Netherlands were arguing for a same again (175,000 tonnes), while Denmark wanted a figure "considerably higher than 160,000 tonnes."

A major West German preoccupation is a Commission proposal to limit fishing for cod in the German Bight zone to nets with a minimum mesh size of 120mm in the first last quarters of the year. This is seen as an important means of protecting young fish, but other member states appeared to be sympathetic to the German line that the requirement would be costly and impractical for their fleets.

Spain and Germany, meanwhile, were keen to increase the Community's share of the cod quota for the Spitzbergen area of the North Sea, while Spain raised the issue of greater access for its fleets to Greenland and Faroe Island waters.

The annual TAC and quota negotiations are generally tough and complicated by a wide range of different demands. The expectation in Brussels after he had somewhat surprisingly adjourned the meeting last night was that Mr Lars Gammelaard, the Danish Fisheries Minister, would table a compromise proposal this morning.

Gold trades above $500

By Kenneth Gooding

GOLD BULLION broke through an important psychological barrier yesterday to trade at more than $500 a troy ounce for the first time since February 1983.

The break-through was widely expected following the steep fall in the value of the dollar but some analysts suggested gold might have a struggle to hold the $500 level in the short term.

Indeed, by the close last night the price had slipped back to $499.50 from the $502.75 at which it was fixed in the morning in good two-way trading.

Dealers said the early gains were trimmed by profit-taking and selling inspired by the fall in oil prices following the failure of the Opec Ministers to reach agreement. However, the price was $6¾ above Friday's close.

Mr Graham Birch, an analyst with Kleinwort Grieveson, said he expected gold to slip back to the top end of its previous range (about $483 an ounce) as dealers squared their positions before the Christmas break.

In the New Year a rise to about $550 was possible, suggested Mr Birch, but the gold price would probably average $500 in 1988.

Mr Julian Baring, an analyst at James Capel, was more bullish. He suggested the price could rise to about $560 an ounce by the middle of next year

LME prices forecast to fall

BY KENNETH GOODING, MINING CORRESPONDENT

PRICES OF copper, aluminium, nickel, lead and zinc should fall steadily in 1988, according to the Economist Intelligence Unit. But the prices of tin and iron ore are forecast to rise.

Increased output in response to higher 1987 prices - from very low levels last year - should ensure that copper, aluminium and nickel prices will decline, says the EIU in a report published today.

For each metal it forecasts a pattern of higher average prices in 1988 compared with the average for this year but substantially lower fourth-quarter prices.

In its annual review of prospects for industrial raw materials*, the EIU forecasts a slight fall in consumption of refined copper, by 1.5 per cent from an estimated 7.87m tonnes this year to 7.75m tonnes in 1988, whereas output is expected to show a 3 per cent rise, from 7.61m to 7.84m tonnes.

The shift from supply deficit to surplus should produce a fall in the price of copper which gathers pace during the second half of 1988, the EIU says. The cash price is forecast to fall from 117 cents a lb in early December this year to 72 cents a lb.

The report suggests, however, that the average price for 1988 should be in the range of 83 cents to 88 cents a lb, 10 per cent higher than the 1987 average. The price in the first half of next year could "remain comfortably over 90 cents a lb".

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	-425	to 40,075
Aluminium high grade	-1,200	to 58,950
Copper	-6,750	to 47,325
Lead	-825	to 19,050
Nickel	-792	to 2,994
Zinc	-850	to 29,350
Tin	-60	to 19,475
Silver (oz)	unchanged	at 19,728,000

Primary aluminium consumption is forecast to rise by 1.8 per cent from the 1987 level to 13.57m tonnes, compared with a 4.7 increase in output during the same period, to 13.4m tonnes.

The EIU suggests the price of aluminium is likely to fall 20 per cent from the 1987 peak to 74 cents a lb in the fourth quarter of next year. But the average 1988 price of 76 cents a lb would be 7.5 per cent above the average for this year.

Smelter and refinery production of nickel is forecast to increase by 5.9 per cent from 535,000 tonnes this year to 567,000 tonnes in 1988 while consumption should show a 3 per cent rise to 618,000 tonnes next year.

While the report foresees a 28 per cent drop in the European free market price of nickel, from the current $2.95-$3.03 a lb to $2.10-$2.20 lb by the fourth quarter of next year, the average price would remain 11 per cent higher than in 1987 at $2.35 a lb compared with $2.12.

It highlights the fact that sales of tin concentrate by China are slowing down the market's return to normal but suggests that those sales may be smaller in 1988.

That should contribute to a rising trend in tin prices next year to an average of £4,750 a tonne, compared with £4,290 in 1987.

The EIU predicts that zinc prices will rise to an average of 78 cents a lb in 1988 against 72 cents a lb this year while the price of lead may subside gently to about £310 a tonne next year from the 1987 average of £360.

*World Commodity Outlook 1988: Industrial Raw Materials. From the EIU, 40 Duke Street, London W1A 1DW. £95 UK and Europe; US$180 North America; £98 rest of world.

Finnish phosphate mine planned

BY OLLI VIRTANEN IN HELSINKI

KEMIRA, the Finnish state-owned fertiliser group, plans toopen a new phosphate mine in the Finnish Lapland at a costof FM 1.2bn (£163m).

The deposits are expected to yield a total of 117m tonnes of phosphate over the next 20-25 years.

Opening of the Sokli mine will be one of the largest industrial investments in Finland. It will include a 360 km pipeline to carry the concentrated ore to the Western coast ofFinland, a concentration plant on site and power lines.

The plans still require a number of permits and licencesfrom various authorities. Kemira plans to open the minein 1992. The orebody at Sokli is one of the largest carbonitedeposits in the world. The phosphate is free of cadmium, making it unique by European standards. Kemira plans to use much of the phosphate from Sokli at its fertiliser plants in Finland and abroad, including the newly-acquired Gechem plant in Belgium and Superfosin Denmark, in which Kemira has a controlling stake.

Sokli, situated some 100 kilometres north ofthe Arctic Circle, close to the Russian border, wasdiscovered some 20 years ago.

Amalgamated Metal to restructure

AMALGAMATED Metal Corporation, the industrial and trading group, is to restructure its management in January to reflect the changes made to its business following losses of £27m sustained during the 1985 tin crisis, **writes Kenneth Gooding.**

Mr Harold Sher, the present finance director, is to become group managing director, responsible to Mr Graham Lock, the chief executive, who in future will concentrate more heavily on strategic issues.

AMT, which is a 94 per cent-owned subsidiary of Preussag, the Hanover-based conglomerate, said yesterday it was now clear of the problems associated with the tin crisis.

During the past two years it has expanded its metal trading operations and moved into the futures market generally rather than confining its business to metals.

Under the new management structure from January 1, reporting to Mr Sher will be: Mr Malcolm Murray, managing director industrial operations; Mr Keith Gaunt, managing director Amalgamated Metal Trading and director of corporate finance; Mr Freddie Overlander, president Amalgamet Inc of New York; and Mr Charles Rowan, director, financial control.

Mr Andrew Green, director legal and administration, and Mr D K Turnbull, group business development, remain directly responsible to the chief executive. Mr Michael Ford is appointed director control,industrial operations, responsible to Mr Murray.

Coated paper price raised further

THE LISTED price for No 5 standard 40-pound lightweight coated paper, which is used widely in advertising inserts, are going up by US$50 per short ton to $830 on January 1, only $30 short of the all-time peak set in January 1985, **writes Robert Gibbens.**

Over the past year No 5 LWC will have risen by US$150 a ton. But early in 1987 actual deals were down below US$650 as the market absorbed production from several new machines in North America. However, this has been rapidly absorbed by a market which is growing by around 10 per cent a year.

No 3 (70 lb) coated free sheet, used widely in catalogues, remains stable at US$1,030 per ton. The last increase came in August.

● The Canadian Pulp and Paper Association, responding to public concerns, is launching a study into how dioxins are formed in the bleaching of craft pulp.

The programme will be carried out at its Montreal research laboratory and follows preliminary studies by the American Paper Institute that confirmed the presence of dioxins in many household paper products.

It is believed that the dioxins stem from the bleaching process and already in Sweden paper products manufacturers are using material that is subject to less bleaching.

MacGregor's plan attracts little interest

FARMER'S VIEWPOINT

By John Cherrington

TO NOBODY'S surprise the Copenhagen Summit achieved absolutely nothing in the way of reforming the Common Agricultural Policy. And it is almost certain that the next meeting in Brussels will get no nearer achieving a sensible solution to the EC budget crisis.

The plain fact is that only the British believe there is much wrong with the present system.

In the course of one of my first investigations of the EC, in 1962, I asked Mr Pisani, then the French Minister of Agriculture, what was going to happen to the food from non-members, such as Australian wheat and New Zealand butter, once Britain became a member.

"You should remember," he said, "that in a common market the interests of the members would be paramount. That is what a Common Market means." No one could accuse the member states of abandoning that principle now.

It was probably as a reaction to the failure in Copenhagen that Mr John MacGregor, the British Minister of Agriculture, chose last week's Royal Smithfield Show to announce what might best be described as a mini set-aside scheme, in the guise of a consultative document.

It is also worth pointing out that on the opening day of the Show Mr Simon Gourlay, president of the National Farmers' Union, launched a fresh attack on the depressing effects of the EC's green currency system on UK farmers' incomes.

Mr Gourlay's complaint caused hardly a ripple; nor for that matter did Mr MacGregor's plan create much of a splash. There was nothing in it to attract more than passing interest from farmers.

In the first place it was designed to be a small national scheme to take a limited area of land out of cereal or beef production. Farmers would be offered an annual payment of about £70 an acre to take up to 20 per cent of their cereal or grazing land out of farming for five years. The idle land could be left fallow, switched to non-supported crops or forestry, or be devoted to amenity use.

Farmers' reactions to the sum offered were reported to be pretty dismissive. Most claimed that their fixed annual costs per acre would amount to nearly double that figure. Relinquishing the opportunity of cropping some of their land would automatically increase the fixed costs on the remainder.

I wonder, moreover, what is meant by fallow these days. Fallowing used to be a perfectly respectable act of husbandry —I practiced it myself as a means of renewing fertility and killing weeds. But I cannot remember fallowing for more than a year out of any four. I could see an argument on farming grounds for fallowing 20 per cent of the arable acreage every year but to take the same land out of farming for five years does not seem very logical.

The land is a living organism and it would be growing something all the time which would have to be kept under some sort of control. It must also be underlined that after nearly 50 years of continuous husbandry there will be large residual quantities of fertilisers in the soil which will gradually be released.

I cannot think that even the most dedicated environmentalist would welcome a return to the forests of docks thistles and other weeds which used to be seen on some of the abandoned arable land in prewar days.

The basis of Mr MacGregor's scheme is that it should apply to land of low fertility. This is difficult to define these days because, thanks to the availability of fertilisers, there is very little difference in output between high and low quality land and most farmers will claim that were it not for their skills their land would produce very little.

Reading between the lines of reports from Europe it does seem that there is some acceptance of the need for budgetary stabilisers coupled with some quantitative restrictions on production, rather on the lines of milk quotas.

This approach is condemned by Mr Frans Andriessen, president of the EC Commission, as being restrictive of farming freedom and likely to freeze production patterns. Member countries are nothing like so hostile and the NFU is all for compulsory set-asides and other restrictions as long as they are fair all round.

The odd man out in this is believed to be Mr MacGregor, who would welcome some form of set-aside as long as it was coupled with price reductions, pushing them down towards world price levels. Here it must be said that there is nothing as artificial as today's world world grain price levels. They are set by the US as a means to clear their markets under the Export Enhancement Program and have no relation to costs of production.

There is little variation anywhere, in my opinion, in the real costs of growing cereals in terms of labour, machinery, fuel and fertilisers.

West Germany is often cited as the most inefficient of the farming countries, mainly because of the small scale of many enterprises. Yet in northern areas, such as Schleswig Holstein, there are huge cereal farms matching anything to be seen in France or the UK. Even where the farms are very much smaller the husbandry used is first class and yields are up to best European standards.

Such farmers see no reason why they should cut their production to meet the demands of stabilisers and at the same time take lower prices, for no better reason than they should match world prices, which are not these days determined by any law of supply and demand.

If the NFU and European farmers are prepared to trade quotas for price stability why should they be denied this. It does seem as if at last there could be an agreed package which could satisfy almost everyone.

Portugal to import Pakistani rice

By Mohammed Aftab in Islamabad

PORTUGAL HAS signed an agreement to buy 150,000 tonnes of rice from Pakistan.

The state-owned Rice Export Corporation will ship it to Portugal between January and June,1988 under an agreement signed with AGA Portugal.

It is the first time that Portugal has purchased rice from Pakistan, which is an expanding producer of the commodity.

The rice will include between 15 to 20 per cent of brokens and 40 to 45 per cent of whole rice grains, an official said.

Pakistan's overall exports to Portugal in 1986-87 were worth $29.4m, while imports amounted to only $1.3m.

The rice deal, Pakistani and Portuguese officials hope, will help to expand the trade, and bring about a diversification of commodities traded.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC PRICES fell sharply on the London Metal Exchange yesterday, with the second position contract shedding £15 to close at £451.50 a tonne – the lowest for more than a month. Commission house selling and liquidation of long positions wiped out earlier gains, dealers said. The downturn in sterling failed to support morning steadiness, with selling in the afternoon finding conditions rather thin. In contrast copper continued its strong advance, with the cash premium or backwardation widening on reports that stocks of Grade A metal held in LME warehouses fell 6,750 tonnes to 47,325 tonnes. The premium rose by £19.50 a tonne to £211.50. Trading in the afternoon failed to follow through earlier highs, however, and was held back by sporadic profit-taking. Nickel prices were also well ahead, influenced by fresh West German merchant buying. Aluminium prices extended morning gains,

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$15.85-15.85	-0.60
Brent Blend	$17.30-17.40	-0.70
W.T.I.(1 pm est)	$17.65-17.70	-0.80

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$172-174	-2
Gas Oil	$156-158	-4
Heavy Fuel Oil	$75-76	-4
Naphtha	$147-149	-4
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$499.50	+7.125
Silver (per troy oz)♣	702c	+4
Platinum (per troy oz)	$512.00	+6.75
Palladium (per troy oz)	$123.50	+2.00
Aluminium (free market)	$1790	+35
Copper (US Producer)	125½-30½c	+0.812
Lead (US Producer)	42c	
Nickel (free market)	337c	+10
Tin (European free market)	£3785	-20
Tin (Kuala Lumpur market)	17.01r	-0.04
Tin (New York)	320.50c	+1.00
Zinc (Euro. Prod. Price)	$860	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	108.52p	+2.07*
Sheep (dead weight)†	206.63p	+1.25*
Pigs (live weight)†	74.84p	+2.41*
London daily sugar (raw)	$205.20w	-2.80
London daily sugar (white)	$211.20w	-2.30
Tate and Lyle export price	£217.00	-1.50
Barley (English feed)	£109.00	
Maize (US No. 3 yellow)	£135.00	+1.00
Wheat (US Dark Northern)	£90.00	-0.25
Rubber (spot)♥	62.00p	
Rubber (Jan) ♥	64.50p	+0.50
Rubber (Feb) ♥	64.50p	+0.50
Rubber (KL RSS No 1 Jan)	271.50m	+1.50
Coconut oil (Philippines)§	$520w	
Palm Oil (Malaysian)§	$405	
Copra (Philippines)§	$360	+10
Soyabeans (US)	£144	-2
Cotton "A" index	74.10c	-0.10
Woottops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. v-Jan/Feb. z-Jan. y-Feb/Mar. u-Jan/Mar † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Dec	1022	1030	1027 1018
Mar	1051	1051	1061 1040
May	1070	1070	1080 1064
Jly	1089	1089	1097 1085
Sep	1108	1108	1117 1105
Dec	1132	1132	1138 1128
Mar	1158	1155	1160 1154

Turnover: 4317 (3245) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for December 14: 1354.08 (1363.31) .10 day average for December 15: 1385.96 (1393.16).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1195	1201	1199 1192
Mar	1215	1223	1220 1212
May	1234	1246	1239 1233
Jly	1250	1265	1256 1250
Sep	1267	1279	1271 1265
Nov	1288	1294	1290 1288
Jan	1320	1320	1309

Turnover: 1507 (2451) lots of 5 tonnes
ICO indicator prices (US cents per pound) for December 11: Comp. daily 114.89 (114.91); 15 day average 115.84 (115.92).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	181.20	181.60	182.40 179.80
May	181.20	181.80	182.00 180.20
Aug	181.60	181.80	182.40 180.40
Oct	182.80	182.60	183.20 181.20
Dec	184.60	185.00	
Mar	188.00	189.60	
May	189.00	191.60	

White	Close	Previous	High/Low
Mar	219.00	217.00	219.00 215.00
May	222.00	222.00	222.50 219.10
Aug	226.50	225.00	224.00 222.00
Oct	226.50	227.00	226.00
Dec	227.50	226.00	226.00
Mar	233.00	233.00	
May	237.00	234.50	

Turnover: Raw 2385 (2842) lots of 50 tonnes; White 1293 (959).
Paris- White (FFr per tonne): Mar 1200, May 1222, Aug 1255, Oct 1245, Dec 1255, Mar 1295.

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	155.00	160.00	157.50 153.25
Feb	150.75	156.50	154.00 150.00
Mar	146.75	152.50	149.00 146.75
Apr	142.25	148.00	145.50 142.25
May	141.00	147.00	144.25 141.00
Jun	144.50	147.00	145.50 144.00
Jul	144.50	148.50	145.00 144.50

Turnover: 6356 (3534) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	114.60	115.25	115.05 114.50
Mar	116.15	116.85	116.65 116.15
May	118.25	118.90	118.70 118.15
Jly	120.75	121.40	121.10 120.65
Sep	103.55	103.50	103.55
Nov	106.50	106.50	105.50
Jan	108.20	108.15	108.20

Barley	Close	Previous	High/Low
Jan	106.75	107.60	107.15 106.75
Mar	108.55	109.15	109.00 108.65
May	110.25	110.50	
Sep	97.70	97.70	
Nov	100.10	100.10	100.10
Jan	102.35	102.35	

Turnover: Wheat 320 (216), Barley 62 (5) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,350 tonne
Cash	1790-1800	1755-60		1780-1800		
3 months	1740-50	1700-10		1730-5	1740-50	2,505 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 21,725 tonne
Cash	971-2	952-4	967/965	958-7		
3 months	928-9	912-14	930/915	922-4	929-30	56,813 lots
Copper, Grade A (£ per tonne)						Ring turnover 49,950 tonne
Cash	1570-80	1518-22	1590/1565	1588-90		
3 months	1363-4	1327-9	1376/1342	1376-7	1351-2	61,410 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1530-40	1475-85		1500-50		
3 months	1335-45	1305-15		1330-70		38 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	696-9	684-8		698-701		
3 months	709-12	702-6		711-14	710-15	675 lots
Lead (£ per tonne)						Ring turnover 13,675 tonne
Cash	350-1	352-4	354/351	353-4		
3 months	342-3	340-1	343/341	341.5-2	340-2	11,954 lots
Nickel (£ per tonne)						Ring turnover 2,658 tonne
Cash	3975-85	3893-3905		3960-5		
3 months	3915-20	3845-50	3915/3870	3895-6	3910-20	9,595 lots
Zinc (£ per tonne)						Ring turnover 13,900 tonne
Cash	449-50	467-8	450/449	464-5		
3 months	451-2	466-7	464/451	464-5	457-9	14,018 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	102.50	100.00	
Mar	87.00	87.50	
Apr	144.50	142.90	144.80 143.50
May	157.50	156.50	157.50
Nov	83.00	85.50	
Feb	90.00	91.50	90.00

Turnover: 141 (131) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	142.50	143.50	
Apr	134.00	135.00	
Jun	126.00	126.00	124.00
Aug	122.50	124.00	
Oct	122.50	124.00	
Dec	125.00	125.00	

Turnover: 25 (12) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1280.0	1278.0	1281.0 1270.0
Apr	1298.0	1295.0	1300.0 1298.0
Jly	1155.0	1150.0	1155.0
BFI	1271.0	1269.5	

Turnover: 54 (91)

TEA

There were 23779 packages on offer in this week's London auction including 200 packages in the offshore section, reports the Tea Brokers' Association. Colouty Assams met good competition and again advanced by 5-15p, sometimes more, but plainest types were generally neglected. Bangladesh teas sold quite readily, apart from plainer lines which were easier. Best liquoring East Africans were a strong feature and dusts often scored substantial gains. Useful mediums also put on several pence while the remainder were about steady. Central Africans were irregular but unchanged on balance. Ceylons were well supported at firm rates. Quotations: quality 175p a kg. (unq); medium 114p (112p); low medium 88p (82p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	499¼-499¾	271-271½
Opening	497½-498	270¼-270¾
Morning fix	502¾	272½
Afternoon fix	499¾	271
Day's high	502½-503½	
Day's low	497½-498	

Coins	$ price	£ equivalent
US Eagle	514-519	279-282
Mapleleaf	514-519	279-282
Britannia	514-519	279-282
Krugerrand	498-501	270-272
1/2 Krug	260-269	141½-146½
1/4 Krug	130-138	70¾-75¼
Angel	514-519	280-282½
1/10 Angel	52-57	28¼-31
New Sov.	117½-118½	63¾-64½
Old Sov.	117½-119	63¾-64¾
Noble Plat	528-538	286¾-292¼

Silver fix	p/fine oz	US cts equiv
Spot	381.60	704.00
3 months	389.50	718.05
6 months	398.00	732.60
12 months	414.75	761.25

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.5%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1750	66		34	
1800	40½		58	
1850	23		90	

Copper (Grade A)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2600	213	217	126	338
2700	163		175	
2800	122		234	

Copper (Grade A)	Calls		Puts	
Strike price £ tonne	Jan	Mar	Jan	Mar
1450	51		38	
1475	39		51	
1500	29		66	

INDICES

REUTERS (Base: September 18 1931 = 100)				
	Dec 11	Dec 9	mnth ago	yr ago
	1684.1	1686.3	1658.9	1634.6
DOW JONES (Base: December 31 1974 = 100)				
Spot	132.33	131.78	128.39	117.13
Futures	134.40	134.14	130.35	116.17

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar cuts early losses

THE DOLLAR finished towards the top of the day's range in Europe, after Mr Marlin Fitzwater, a White House spokesman, said the US is not seeking a weakening of the currency to improve its trading position.

This was the major feature of a quiet day, when the dollar opened lower and was generally weak, in reaction to last week's publication of the October US trade deficit.

Mr Fitzwater's comments provided support for the dollar, but dealers continued to believe the Reagan Administration is unlikely to take sufficient measures on interest rates and financial policy to prevent a further slide.

The dollar eased slightly to DM1.6310 from DM1.6315; to FFr5.53 from FFr5.5325; to SFr1.3275 from SFr1.3305; and to Y127.95 from Y128.45.

On Bank of England figures the dollar's index fell to 93.3 from 93.8.

STERLING-Trading range against the dollar in 1987 is 1.8380 to 1.4710. November average 1.7770. Exchange rate index closed unchanged at 76.1, compared with 73.4 six months ago.

Sterling showed little change, with the foreign exchanges continuing to focus on the dollar. Lower oil prices, as Opec ministers meeting in Vienna attempted to find a compromise between the Gulf states and Iran on prices and production, had no impact.

UK economic data was much as expected. A rise of 0.5 p.c. in November input producer prices was within the general range of forecasts, while the gain of 0.3 p.c. in output prices also came as no surprise to the market. November retail sales rose 1.05 p.c., which was also in line with most forecasts.

Sterling touched a peak of $1.8455, as traders warned there may be psychological resistance at $1.85, but fell back to close at $1.8360-1.8370, a decline of 15 points on the day.

The pound also fell to DM2.9950 from DM2.9975; to FFr10.1550 from FFr10.1675; to SFr2.4375 from SFr2.4450; and to Y235 from Y236.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6310. November average 1.6809. Exchange rate index 151.7 against 147.1 six months ago.

The D-Mark touched a record high against the dollar in Frankfurt, but trading was quiet, lacking new factors. The dollar fell to a trading low of DM1.6220, before closing at DM1.6235, against DM1.6345 on Friday.

At the Frankfurt fixing the Bundesbank did not intervene when the dollar was set at DM1.6236, compared with DM1.6315 previously.

The Belgian franc remained only slightly above the lira at the bottom of the European Monetary System, but traded steadily, despite political uncertainty after Sunday's Belgian general election, which was seen as a setback for the ruling coalition.

In Frankfurt the Belgian franc closed at DM4.7745 per 100 francs, compared with DM4.7710 on Friday.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 127.95 November average 135.90. Exchange rate index 238.3 against 221.3 six months ago.

The yen rose against the dollar as dealers expected a further decline by the US currency ahead of the new year. The dollar touched a record trading low of Y127.90, before closing at Y128, compared with Y128.75 on Friday.

Dealers suggested the dollar will continue to fall, as long as the US maintains an easy credit policy to maintain economic growth, and looked at Y125 as an early target.

Trading was quiet, but the Bank of Japan failed to stem the dollar's decline by purchasing a small amount of dollars at Y128.20.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2375	+1.84	+1.00	±1.5344
Danish Krone	7.85212	7.95587	+1.32	+0.48	±1.5404
German D-Mark	2.05853	2.06407	+0.27	-0.57	±1.0981
French Franc	6.90403	6.99878	+1.37	-0.53	±1.3674
Dutch Guilder	2.31943	2.32192	+0.11	-0.73	±1.5012
Irish Punt	0.768411	0.776166	+1.01	+0.17	±1.6684
Italian Lira	1483.58	1522.46	+2.62	+2.22	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec 14	Latest	Previous Close
£ Spot	1.8445-1.8455	1.8400-1.8410
1 month	0.03pm-par	0.03pm-par
3 months	0.28-0.24pm	0.28-0.24pm
12 months	1.18-1.08pm	1.18-1.08pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Dec 14	Previous
8.30	am	76.1	76.2
9.00	am	76.1	76.1
10.00	am	76.1	76.1
11.00	am	76.2	76.1
Noon		76.1	76.1
1.00	pm	76.1	76.1
2.00	pm	76.1	76.1
3.00	pm	76.1	76.1
4.00	pm	76.1	76.1

POUND SPOT- FORWARD AGAINST THE POUND

December 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8360-1.8455	1.8360-1.8370	0.02dis-par	-0.07	0.16-0.13pm	0.32
Canada	2.4003-2.4125	2.4005-2.4015	0.05dis-0.06cpm	0.07	0.40-0.57dis	-2.42
Netherlands	3.36½-3.37½	3.36½-3.37½	1½-1¼cpm	4.45	3½-3pm	3.78
Belgium	62.44-62.80	62.65-62.75	14-7cpm	2.01	33-19pm	1.66
Denmark	11.52¼-11.58½	11.52¾-11.53¾	¼-1¾oredis	-0.85	2¼-3¾dis	-1.06
Ireland	1.1255-1.1298	1.1280-1.1290	par-0.05cdis	-0.27	0.04dis-0.06pm	0.04
W. Germany	2.99-3.00	2.99-3.00	1½-1¼pfpm	5.01	3½-3¼pm	4.84
Portugal	243.70-246.22	244.00-245.00	85-105cdis	-4.66	300-585dis	-7.24
Spain	201.92-203.32	202.85-203.15	60-79cdis	-4.11	202-242dis	-4.37
Italy	2204-2213	2208-2209	5-8liredis	-3.53	15-22dis	-3.35
Norway	11.64-11.75	11.68-11.69	5¾-6¾oredis	-6.55	16¾-18¼dis	-5.99
France	10.13¾-10.17½	10.15-10.16	½-1½cdis	-1.03	1¾-2¾dis	-0.89
Sweden	10.87½-10.91¾	10.87½-10.88½	¼-¾oredis	-0.62	1¾-3dis	-0.90
Japan	234½-235½	234½-235½	1-¾ypm	4.47	2½-2¼pm	4.04
Austria	21.01-21.13	21.06-21.09	80-60gropm	4.47	212-175pm	3.67
Switzerland	2.43¾-2.44½	2.43¾-2.44¾	1⅛-⅞cpm	4.92	2⅞-2½pm	4.41

Belgian rate is convertible francs. Financial franc 62.75-62.85. Six-month forward dollar 0.46-0.41cpm 12 month 0.98-0.88pm

CURRENCY RATES

Dec 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.752561	0.688826
U.S Dollar	6½	1.3882	1.27020
Canadian $	8.75	-	1.66180
Austrian Sch.	3	15.8719	14.5260
Belgian Franc	7	47.2358	43.2375
Danish Krone	7½	8.70502	7.95587
Deutsche Mark	2½	2.25396	2.06407
Neth. Guilder	3¾	2.53633	2.32192
French Franc	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

December 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8360-1.8455	1.8360-1.8370	0.02dis-par	-0.07	0.16-0.13pm	0.32
Ireland†	1.6290-1.6380	1.6315-1.6325	0.02-0.06cdis	-0.29	0.18-0.08pm	0.32
Canada	1.3060-1.3095	1.3070-1.3080	0.05-0.06cdis	-0.41	0.62-0.67dis	-1.97
Netherlands	1.8245-1.8365	1.8345-1.8355	0.67-0.46cpm	3.77	1.61-1.56pm	3.47
Belgium	33.90-34.20	34.10-34.20	7-4cpm	1.94	14-9pm	1.35
Denmark	6.25-6.28¼	6.27¾-6.28¼	0.20-0.80oredis	-0.96	1.80-2.50dis	-1.09
W. Germany	1.6215-1.6325	1.6305-1.6315	0.71-0.68pfpm	5.13	3.53-3.48pm	8.63
Portugal	133-133¼	133-133¼	95-80cdis	-6.08	180-230pm	-6.15

CURRENCY MOVEMENTS

OTHER CURRENCIES

Dec 14	£	$
N. Zealand	2.8470-2.8520	1.5445-1.5470
Saudi Ar.	6.9110-6.9570	3.7500-3.7510
Singapore	3.6875-3.6985	2.0020-2.0040
S. Af (Cm)	3.5660-3.5820	1.9360-1.9395
S. Af (Fn)	5.4240-5.5880	2.9415-3.0305
Taiwan	53.05-53.35	28.85-28.95
U.A.E.	6.7680-6.7740	3.6725-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts quietly firm

LOW VOLUME and uncertainty were the two key factors on traders lips in yesterday's Liffe market. The lack of trading was due partly to proximity of Christmas but the market was also unwilling to make any real decisions until the beginning of the new year, mainly because there was little incentive to take positions based on current economic data, again because the lack of volume.

Long term gilt futures opened lower which appeared to be a little puzzling, given the majority feeling that cash rates were likely to fall before rising again. However one dealer suggested that locals were active trying to hold down values, in the hope of attracting fresh buying. This was partly successful since a trickle of short covering, later in the day, led to a rash of shortcovering towards the close.

This pushed prices to a high of 117-15 for March delivery, up from 116-23 at the opening, and the closing price was 117-13 compared with 117-04 on Friday.

In view of the lack of participation, most speculators were unwilling to run positions overnight. Interest was also curbed by growing concern over inflation, as reflected in the steepening yield curve.

US Treasury bonds were lower for most of the day but managed to recover to finish above Friday's close. US industrial production for November, which showed a rise of 0.4 p.c against a 0.9 p.c. rise in October, prompted a lower trend initially although this was reversed later, allowing the March price to finish at 83-31, up from a low of 83-17 and Friday's close of 83-26.

Trading in options was rather quiet as most speculators took a back seat until the new year.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	3.02	4.05	1.40	2.59
118	1.61	3.06	2.35	3.60
120	1.14	2.18	3.52	5.08
122	0.47	1.41	5.21	6.31
124	0.26	1.10	7.00	8.00
126	0.13	0.51	8.51	9.41
128	0.06	0.34	10.44	11.24
130	0.03	0.22	12.41	13.12

Estimated volume total, Calls 777 Puts 1084
Previous day's open int: Calls 26047 Puts 11997

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	3.31	3.59	1.33	2.49
84	2.14	2.61	2.16	3.51
86	1.25	2.11	3.27	5.01
88	0.53	1.35	4.55	6.25
90	0.30	1.05	6.32	7.59
92	0.16	0.47	8.18	9.37
94	0.08	0.31	10.10	11.21
96	0.04	-	12.06	-

Estimated volume total, Calls 0 Puts 4
Previous day's open int: Calls 872 Puts 711

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Jan	Puts-Last Dec	Puts-Last Jan
15000	-	-	-	-
15250	13.36	-	0.10	-
15500	10.99	15.19	0.24	1.64
15750	8.76	-	0.51	-
16000	6.71	11.48	0.96	2.93
16250	4.92	-	1.67	-
16500	3.44	8.33	2.69	4.78
16750	2.27	-	4.02	-

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 49 Puts 187

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE- EURODOLLAR OPTIONS

LONDON

CHICAGO

CURRENCY FUTURES

MONEY MARKETS

UK rates remain little changed

MOST TRADERS were content to leave well alone until the new year in the London money market yesterday. While most people held fairly strong views, one way or the other, about the trend in UK interest rates, there was little incentive to make any long term commitment until after the Christmas festivities.

For this reason volume remained low, and this in itself provided a further incentive to remain on the sidelines. Economic statistics for release this week were considered too much to digest in one go, especially considering the uncertainty in US markets.

UK clearing bank base lending rate 8½ per cent from December 4

However one dealer suggested that the current trend in short sterling rates made them a little cheap in relation to the pound's performance and the current level of base rates. "There is probably more pressure for another cut in base rates than many people care to admit," he added. However an 8 p.c. base rate was considered by most traders as being a floor level.

Three-month interbank money was quoted at 8⅝-8¾ p.c. compared with 8⅝-8½ p.c. on Friday while the one year rate rose to 9¾-9⅝ p.c. from 9⅛-9 p.c. Overnight money traded between an early high of 8½ p.c. and 5 p.c. in later trading.

The Bank of England forecast a shortage of around £100m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £505m and the unwinding of previous sale and repurchase agreements accounting for a further £481m. In addition banks brought forward balances £50m below target. These were partly offset by Exchequer transactions which added £525m and a fall in the note circulation of £430m.

The forecast was revised to a flat position and the Bank gave no assistance in the morning or in the afternoon. Late help came to £45m.

In Frankfurt call money was quoted at 3.05 p.c., little changed from Friday as short term liquidity remained in good supply. The excess of commercial banks' reserve holdings with the Bundesbank over the expected monthly requirement was necessary however. Banks were likely to meet a heavy demand for funds as tax and pension payments are made. In addition there is also likely to be a squeeze due to proximity of the year end.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

£ WORLD VALUE OF THE POUND

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May. 88 Vol	May. 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	460	98	50	-	-	-	-	501.20
GOLD C	480	170	34	34	47.50	5	60	501.20
GOLD C	500	322	22.50	39	35	30	48	501.20
GOLD C	520	120	13.50	126	26.50	-	-	501.20
GOLD C	540	127	7.10	209	18.50 A	23	27	501.20
GOLD P	460	51	3	27	6.50	-	-	501.20
GOLD P	480	102	8	60	12	-	-	501.20
GOLD P	500	321	14	105	18 B	-	-	501.20
		Dec. 87		Jan. 88		Feb. 88		
EOE Index C	160	436	6.40 B	8	12.50	-	-	165.50
EOE Index C	165	436	3.50 A	11	9.50 A	12	12 B	165.50
EOE Index C	170	210	1.30 A	23	7.10	5	11	165.50
EOE Index C	175	28	0.30	90	5	-	-	165.50
EOE Index C	180	143	0.20	209	4	-	-	165.50
EOE Index P	155	120	0.50	83	4.50	10	8	165.50
EOE Index P	160	153	1.40	56	6.50	55	11	165.50
EOE Index P	165	136	2.80	30	9.50	16	13 A	165.50
EOE Index P	170	53	6.50	33	11.50 A	-	-	165.50
EOE Index P	175	20	11	90	15	-	-	165.50
EOE Index P	220	105	57	-	-	-	-	165.50
EOE Index P	225	-	-	30	59	-	-	165.50
EOE Index P	260	110	97	-	-	-	-	165.50
S/FI C	185	8	0.50	1779	1.80	-	-	182.65
S/FI C	190	-	-	70	0.80	-	-	182.65
S/FI P	180	50	0.20	487	2	50	3.40	182.65
S/FI P	185	196	2.60	31	4.50	14	6.75	182.65
S/FI P	190	131	7.30	-	-	-	-	182.65
S/FI P	195	34	11.80 B	-	-	-	-	182.65
S/FI P	200	156	17.20	-	-	-	-	182.65
S/FI P	225	40	41.80 B	-	-	-	-	182.65
		Jan. 88		Apr. 88		Jul. 88		
ABN C	30	120	8 A	-	-	-	-	37.50
ABN P	44	162	6.50	-	-	-	-	37.50
AEGON C	60	42	1	11	3	2	3.50	54
AHOLD C	70	66	0.90	-	-	-	-	59.20
AHOLD P	65	30	7.20	-	-	-	-	59.20
AKZO C	100	59	1	440	5	13	6.90 A	86.50
AKZO P	70	2	0.60	4	2.20	50	5.70	86.50
AMEV C	60	56	0.80 A	5	0.60 B	-	-	37
AMRO C	60	56	0.80 A	20	3	-	-	55.70
ELSEVIER C	40	1337	4.80	276	6.90	3	8	42.50
ELSEVIER P	40	40	2	8	3.90 A	-	-	42.50
GIST-BROC. C	27.50	202	0.80	-	-	12	2.70 A	23.70
GIST-BROC. P	27.50	30	4.70 A	-	-	-	-	23.70
HEINEKEN C	120	49	6.70	-	-	-	-	119.50
HOOGOVENS C	30	4	0.90	-	-	41	3.20	26
HOOGOVENS P	25	48	2.30	-	-	-	-	26
NEDLLOYD C	130	146	6.20	25	13	-	-	125
NEDLLOYD P	100	13	1.50	33	5	1	9	125
NAT.NED C	45	64	2.50	36	4.20	28	5.50	45.60
NAT.NED P	45	32	2	11	3.30	-	-	45.60
PHILIPS C	30	231	1	85	2.60	81	3.30	28.10
ROYAL DUTCH C	200	316	3.80	6	10.50	-	-	193
ROYAL DUTCH P	200	68	10	13	14.20	-	-	193
UNILEVER C	100	485	5	309	11.10	2	14.50	100.50
UNILEVER P	100	41	5.40	253	10.40	37	14	100.50

TOTAL VOLUME IN CONTRACTS : 24,811

A=Ask B=Bid C=Call P=Put

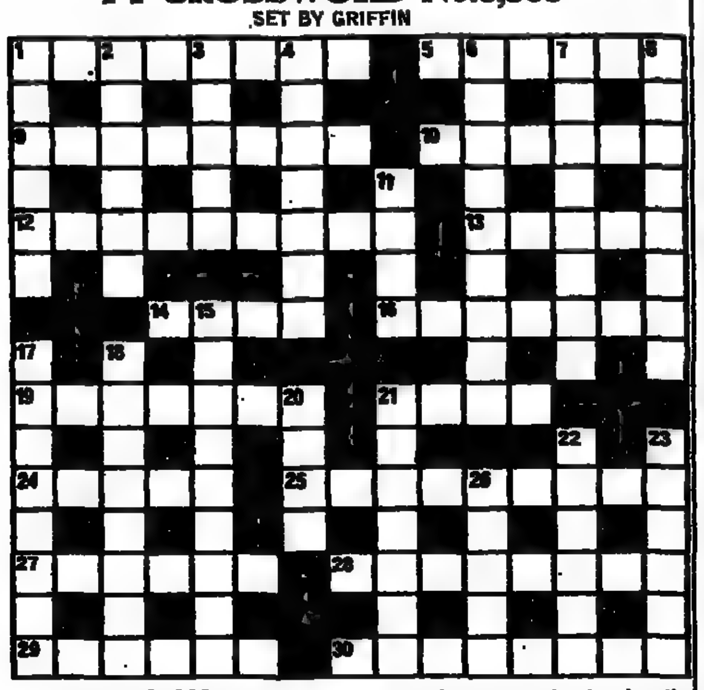
BASE LENDING RATES

	%		%		%
ABN Bank	8½	● Charterhouse Bank	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	Citibank NA	8½	NatWestminster	8½
Allied Arab Bk	9	City Merchants Bank	8½	Northern Bank Ltd	8½
Allied Dunbar & Co	8½	Clydesdale Bank	8½	Norwich Gen. Trust	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	PK Finans. Int(UK)	9
American Exp.Bk	8½	Consolidated Cred	8½	Provincial Trust Ltd	9½
Amro Bank	8½	Co-operative Bank	*8½	R. Raphael & Sons	8½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	Roxburghe G'rantee	10½
ANZ Banking Group	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Associates Cap Corp	10	Equat'l TstC'p plc	9	Royal Trust Bank	8½
Authority Bank	8½	Exeter Trust Ltd	9	Smith & Williams Secs.	8½
Banco de Bilbao	8½	Financial & Gen. Sec.	9	Standard Chartered	8½
Bank Hapoalim	8½	First Nat. Fin. Corp.	10	TSB	8½
Bank Leumi (UK)	8½	First Nat. Sec. Ltd.	10	UDT Mortgage Exp	§10.2
Bank Credit & Comm.	8½	● Robert Fleming & Co.	8½	United Bk of Kuwait	8½
Bank of Cyprus	9	Robert Fraser & Ptnrs.	9½	United Mizrahi Bank	8½
Bank of Ireland	8½	Girobank	8½	Unity Trust Bank Plc	8½
Bank of India	8½	Grindlays Bank	8½	Western Trust	8½
Bank of Scotland	8½	● Guinness Mahon	8½	Westpac Bank Corp.	8½
Banque Belge Ltd	8½	HFC Trust & Savings	8½	Whiteaway Laidlaw	9
Barclays Bank	8½	● Hambros Bank	8½	Yorkshire Bank	8½
Benchmark Tst Ltd	8½	Heritable & Gen Inv Bk.	8½		
Beneficial Trust Ltd	10	● Hill Samuel	§8½		
Berliner Bank AG	8½	C. Hoare & Co.	8½		
Brit Bk of Mid East	8½	Hongkong & Shangh	8½		
● Brown Shipley	8½	Lloyds Bank	8½		
Business Mtge Tst	9	Meghraj Bank Ltd	8½		
CL Bank Nederland	8½	Midland Bank	8½		
Central Capital	8½	● Morgan Grenfell	8½		
Cayzer Ltd	8½	Mount Banking Cpn Ltd	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,508

SET BY GRIFFIN



ACROSS

1 Makes music essential to directors (8)
5 Greeting, in Paris, the pages (6)
9 Coming to deep exit, hurry (8)
10 Gives rating affection on board (6)
12 Always enter train with partner (9)
13 Muddled old coppers drink outside (5)
14 Miss having crackers around lunch-time (4)
16 Egghead specifies residential areas (7)
19 Moving letters seeking support (7)
21 Nag in French, I notice (4)
24 Dismissed by the party, is overcome (5)
25 Restless person's comment to doctor? (9)
27 Actual back way into food store (6)
28 Fish tea audibly consumed by theatre worker (8)
29 Stop by new side street (6)
30 Bearing gifts for the hard of hearing? (8)

DOWN

1 About to look up cricketer (6)
2 Jabbered about pay to pithead man (6)
3 Ancient, most valuable, top is missing (5)
4 Was noisy when flustered (7)
6 Stop taking tea about ten, delighted (9)
7 Verify having circulated evil data (8)
8 Understanding about useless piano causing anxiety (8)
11 Said exhaust could be spare (4)
15 Poor Thora sues writer (9)
17 Ambled up valley under rocky tors (8)
18 Damage careless user's choppers (8)
20 Draw up outside, kiss and leave (4)
21 It's June's half-cooked tripe, by Jove! (7)
22 River always going in two directions (6)
23 Position of sportsman for a difficult ascent (6)
26 Fits ash container in the back way (5)

Solution to Puzzle No.6,507

HONOUR REMEMBER
A A R S X G R E
YARDARM LOOKOUT
M R L A I C O O
ADAM ICEBREAKER
K T S K R N T
EVINCE LIFTOFF
R O A S S R U S
INGRATE BILLOW
A L A S C L A
DISPATCHED USED
V C T C R I C D
EROTICA INSTALL
N U N T F L L E
TARRAGON BEHELD

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Bid Price	Offer Price	+ or -	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6995/4/5

Scimitar Global Gth Ac	26.1	27.8	+0.2	—
Do. Income	26.0	27.7	+0.2	0.19
Scimitar European Acc	19.2	20.5	+0.4	—
Do. Income	19.2	20.5	+0.4	0.11
Scimitar UK Eq Inc Acc	30.7	32.1	+0.9	—
Do. Income	29.5	31.1	+0.9	5.98
UK Cap Gth Acc	20.1	21.2	+0.1	0.75
Scimitar Pac Basin Acc	24.7	26.3	+0.6	—
Scimitar Mangd Exempt*	126.7	132.0	+0.9	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Total Income Units	116.4	123.9	—	3.08
Total Accum Units	178.0	189.4	—	3.08
UK General Acc	34.3	36.7	-0.5	3.11
UK General Inc	33.0	35.3	-0.5	3.11
American	24.0	25.7	-0.7	0.64
European	33.0	35.3	-0.2	0.96
Japan	50.3	53.9	-0.2	—
Technology	31.4	33.6	—	1.48
Performance Trusts				
Far East Perf Tst	14.2	15.2	+0.2	0.64
High Inc Perf Tst Inc	21.5	23.0	+0.1	5.97
High Inc Perf Tst Acc	22.0	23.5	+0.2	5.97
Worldwide Tech Perf Tst	24.4	26.1	—	—

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	187.5	200.6	+0.7	3.11
Columbus (America)	109.3	116.9	+0.5	1.59
Marco Polo (Pacific)	182.6	195.3	-0.2	0.43
Da Vinci (European)	198.2	212.0	-1.6	1.97
Drake	46.2	49.5	+0.1	3.29

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	179.2	190.7	+1.2	3.43
UK Smllr. Cos. Equity	178.7	190.2	+1.3	2.62
UK Special Situations	50.1	53.3	+0.4	3.58
Income Plus	47.9	51.0	—	6.47
European	140.8	150.4	+0.5	1.05
Far Eastern	44.3	47.2	+0.7	3.07
Japanese †	47.9	51.0	-0.3	0.04
North American	101.8	108.4	+0.4	1.94
International Growth	98.2	104.5	+0.2	1.90
Worldwide Venture	49.8	52.8	+0.4	2.53

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4355

TUUT Dec 1 87	175.8	185.1	—	3.71

Trilon Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Trilon General	122.9	132.2	+1.0	1.86

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & Gest	56.8	60.2	+0.2	6.79
Accum Units	56.8	60.2	+0.2	6.79
Income	70.8	75.0	(z)	5.79
Accum Units	70.8	75.0	(z)	5.79
Smaller Co's	77.2	81.8	-0.2	1.73
Accum Units	77.2	81.8	-0.2	1.73
UK Growth	80.2	85.0	+0.4	1.60
Accum Units	80.2	85.0	+0.4	1.60

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403-40033

British Growth Fd	47.0	50.0	+0.3	1.50

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 4064
Advisers: Henderson Consultants Ltd

Friars Hse Cap Fd	155.0	164.9	—	1.84
Friars Hse Inc Fd	138.1	145.3	—	3.60

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7. 01-534 5544

United Charities	140.9	150.4	+0.7	4.08

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Allocation Rdis Assets	145.2	154.5	—	2.64
(Accum Units)	148.0	157.4	—	—
Far East & Gen	46.9	49.9	+0.1	0.65
(Accum Units)	46.9	49.9	+0.1	—
Master Portfolio	61.100	62.667	+0.428	3.11
(Accum Units)	62.524	64.127	+0.437	—
American & Gen	49.3	52.4	+0.1	2.28
(Accum Units)	50.0	53.2	+0.2	—
Growth	191.4	203.6	+2.1	2.76
(Accum Units)	287.1	305.4	+3.3	—
High Yield	237.4	252.6	+2.2	4.99
(Accum Units)	250.9	266.9	+2.3	—

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	348.4	366.9	—	-
Eb'r Ph. Eq.	304.1	323.2	—	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	148.2	155.9	+0.6	-
International Acc.	112.8	118.7	-0.1	-
Property Acc.	120.3	126.6	+0.1	-
Fixed Interest Acc.	146.3	153.9	-1.5	-
Money Acc.	133.3	140.3	—	-
Bldg. Soc. Link Acc.	131.2	138.1	—	-
Special Mngd. Acc.Q	133.3	140.3	-0.1	-
Phoenix/Framlington				
Intnl. Growth Acc.	71.4	75.1	-0.4	-
Amer. & Gen. Acc.	64.1	67.4	-1.1	-
Capital Tst. Acc.	154.9	163.0	+1.1	-
Japan & Gen Acc.	152.6	160.6	-0.4	-
American Turn. Acc.	63.9	67.2	-1.6	-
Recovery Tst. Acc.	138.7	146.0	-0.2	-
Special Mngd Acc	122.8	129.2	-0.2	-
Phoenix/GT				
International Acc.	107.2	112.8	-1.5	-
US & General Acc	78.1	82.2	-1.0	-
Amer Spec Sits Acc.	53.3	56.1	+0.1	-
Japan & General Acc	150.4	158.3	-0.7	-
Far East & Gen. Acc.	124.3	130.8	-1.5	-
UK Capital Acc.	146.4	154.1	+1.4	-
European Acc.	120.4	126.7	+1.3	-
Special Mngd. Acc.	110.8	116.6	+0.2	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	248.6	261.7	—	-
Man Pens Inc & Cap Fd.	313.8	330.4	—	-
Money Fund	110.3	116.2	—	-
Pens. Mngd Fd (Init)	73.9	77.8	—	-
Pens. Mngd Fd (Acc)	81.9	86.3	—	-
Pens FT30 Fd (Init)	116.8	123.0	—	-
Pens FT30 Fd (Acc)	129.5	136.4	—	-
Pens O'seas MgFd Init	44.9	47.3	—	-
Pen. O'seas MgFd Acc	49.8	52.5	—	-
Pens Fxd Int Fd (Init)	105.3	110.9	—	-
Pens Fxd Int Fd (Acc)	116.8	123.0	—	-
Pens Deposit Fd (Init)	100.3	105.6	—	-
Pens Deposit Fd (Acc)	111.3	117.2	—	-

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund

Managed Dec 09	182.6	190.3	—	-

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	402.9	424.2	-0.7	-
Equity Fd.	807.1	849.6	+2.5	-
Intnl. Fd.	280.5	295.3	-4.0	-
Fixed Int. Fd.	350.2	368.7	-1.8	-
Prop. Fd.	296.1	311.7	—	-
Cash Fd.	231.8	244.0	—	-
Pacific Basin Fd.	155.7	163.9	-0.3	-
North American Fd.	107.9	113.6	-3.5	-
European Fd.	132.2	139.2	+0.8	-
Holborn Balanced Gwth Fd	-	-	—	-
Holborn Strategic Gwth Fd	-	-	—	-

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	424.8	447.2	-1.2	-
Equity	593.3	624.6	-0.6	-
Global Equity	171.4	180.5	-1.4	-
Fixed Interest	354.9	373.6	-5.2	-
Property	297.0	312.7	+0.1	-
Cash	135.6	142.8	—	-
Index Linked Gilt	161.7	170.3	+0.8	-
Guaranteed	9.25	10.25	—	-
International Money	182.9	192.6	+0.3	-
North American Fd.	50.2	52.9	—	-
Japanese Fund	98.19	103.3	—	-
European Fund	68.5	72.2	—	-
Special Situations Fd.	79.2	83.4	—	-
Communications Fund	68.4	72.0	—	-
Smaller Cos Fund	81.7	86.0	—	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry. Dec 9	£111.65	114.94	—	-
Equity Fund Dec 9	£117.32	120.89	—	-
Intnl Fund Dec 9	£18.57	19.17	—	-
Intl Bond Fd Dec 9	£9.96	10.09	—	-
Fixed Int Dec 9	£64.84	65.70	—	-
Index Linked Dec 9	£48.69	49.25	—	-
Property Fund Dec 9	£72.84	77.33	—	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅝	97⅝	Treas 7¾pc 1985–88‡‡	99⅞		7.76	8.56
102¼	99⅝	Exch 10½pc '88	100⅜	−⅛	10.42	8.38
101⅞	98⅞	Treas 9¾pc Cv '88	100⅜xd	−⅛	9.69	8.42
98¼	93¼	Transport 3pc '78–88	97⅜xd	+⅛	3.07	7.05
101⅝	98¼	Treas. 9½pc '88	100⅝	−⅛	9.44	8.64
105⅞	101¼	Treas 11½pc 1989	102⅞	−⅛	11.18	8.79
102¾	97⅞	Treas 9½pc Cnv 1989	100⅜	−⅛	9.42	8.77
96¼	89¼	Treas 3pc 1989	95⅝		3.14	6.32
104⅝	99⅝	Treas 10½pc 1989	102¼	−⅛	10.26	8.79
103¾	98½	Exch.10pc 1989	101½	−⅛	9.84	8.85
105⅝	100¾	Exch 11pc 1989	103¼	−¼	10.64	8.91
96¼	89⅞	Treas 5pc 1986–89	95⅝	−⅛	5.22	7.49
108¼	99⅝	Exch 10¼pcCv '89	103	−⅛	9.95	8.47
111¾	104⅝	Treas 13pc 1990‡‡	107¼xd	−⅛	12.10	9.00
106½	100⅝	Exch 11pc 1990‡‡	103½	−¼	10.62	9.07
110¾	103⅝	Exch. 12½pc 1990	106⅝	−⅛	11.69	9.06
92⅝	84½	Treas. 3pc 1990	91¼	−¼	3.28	6.90
100¾	93⅝	Treas 8¼pc 1987–90‡‡	98⅝xd	−⅛	8.32	8.61
105	97½	Treas. 10pcCv 1990	102¼	−⅛	9.78	9.07
91¾	81¾	Exch 2½pc 1990	88⅝	−⅛	2.80	6.58
110¼	102⅝	Treas 11¾pc 1991	106⅝xd	−⅛	10.98	9.08
95¾	87¼	Funding 5¾pc '87–91‡‡	93¼	−⅛	6.14	7.97
90¾	80¼	Treas. 3pc 1991	87⅜	−¼	3.39	6.86
110⅞	98½	Treas 10pc Cv '91 ‡‡	103⅜xd	−⅛	9.63	8.72
109⅝	101⅝	Exch. 11pc 1991	105⅝	−⅛	10.38	9.11
99	91⅝	Treas. 8pc 1991	96¼	−⅛	8.30	9.08
116⅜	107¾	Treas 12¾pc 1992‡‡	111⅝	−⅛	11.39	9.17
106¾	97⅝	Treas 10pc 1992	102¾	−⅛	9.73	9.16
99½	90⅝	Treas. 8pc 1992 ‡‡	95⅞	−⅛	8.32	9.09
108⅝	99½	Treas 10½pc Cv 1992‡‡	104¼	−¼	10.04	9.20
86⅞	79¾	Treas. 3pc 1992	84¼	−⅛	3.74	8.03
115⅞	105⅝	Exch. 12¼pc '92	110⅝	−⅛	11.06	9.33
121⅜	110⅝	Exch 13½pc 1992	115¼	−⅛	11.69	9.38
		Five to Fifteen Years				
107⅜	97¾	Treas 10pc 1993‡‡	102⅝	−⅛	9.72	9.30
118¾	107½	Treas 12½pc 1993‡‡	112⅝xd	−⅛	11.05	9.42
95⅛	82¼	Funding 6pc 1993‡‡	90¼		6.67	8.23
125¾	113¼	Treas 13¾pc 1993‡‡	118⅝	−⅛	11.55	9.47
129⅝	117½	Treas 14½pc 1994‡‡	123	−⅛	11.77	9.47
124⅝	112⅝	Exch 13½pc 1994	117⅝	−⅛	11.42	9.59
107⅛	97¾	Treas. 10pc Ln. 1994‡‡	102¼	−⅛	9.74	9.44
120¾	106⅝	Exch. 12½pc 1994	113⅝	−⅛	10.99	9.64
103¼	92⅝	Treas 9pc 1994‡‡	97⅝	−⅛	9.18	9.39
118¼	105¾	Treas 12pc 1995	111⅜	−⅛	10.77	9.72
84¼	76	Exch 3pc Gas 90–95	80⅝	−⅛	3.71	6.30
109⅝	97¼	Exch. 10¼pc 1995	102⅝	−⅛	9.96	9.68
123⅝	110⅛	Treas 12¾pc 1995‡‡	116⅜	−⅛	10.96	9.73
130⅝	116¼	Treas. 14pc '96	122⅜	−⅛	11.44	9.89
102⅝	92	Treas 9pc 1992–96‡‡	97⅜	−⅛	9.25	9.46
139⅝	123⅝	Treas 15¼pc 1996‡‡	129⅞	−⅛	11.74	9.90
127⅝	113⅝	Exch 13¼pc 1996‡‡	119	−⅛	11.10	9.81
89⅝	81¼	Redemption 3pc 1986–96	84⅛	−⅛	3.54	5.18
108⅝	95⅝	Conversion 10pc 1996	101⅛	−⅛	9.87	9.77
128⅝	113½	Treas 13¼pc 1997‡‡	119⅝	−¼	11.06	9.88
111⅝	98¼	Exch 10½pc 1997	103⅜	−⅛	10.11	9.82
102¾	88⅝	Treas 8¾pc 1997‡‡	93⅜	−⅛	9.29	9.68
140¾	123⅝	Exch 15pc 1997	130⅛	−⅛	11.51	10.07
106⅝	93⅝	Exch. 9¾pc 1998	99⅝xd	−⅛	9.80	9.81
88⅝	78	Treas 6¾pc 1995–98‡‡	82⅜	−⅛	8.18	9.42
145⅝	128⅜	Treas. 15½pc '98‡‡	135¼	−⅛	11.46	10.05
122⅝	107¾	Exch. 12pc 1998	113⅝	−⅛	10.56	9.91
106⅝	92⅝	Treas 9½pc 1999‡‡	98¼xd	−⅛	9.61	9.67
124⅝	109⅝	Exch. 12¼pc 1999	115¼	−⅛	10.61	9.93
113	98¼	Treas. 10½pc 1999	104⅛	−¼	10.05	9.84
111⅝	96⅝	Conversion 10¼pc 1999	102½	−¼	9.96	9.83
100¼	86⅝	Tr 8½pc Ln‡‡	91⅛		8.92	9.02
103¾	89½	Conversion 9pc 2000‡‡	94⅝	−⅛	9.47	9.70
131⅝	114⅝	Treas. 13pc 2000	120⅞xd	−⅛	10.72	10.00
110⅜	95⅝	Treas 10pc 2001	101½	−⅛	9.85	9.77
134⅝	118⅝	Treas. 14pc '98–01	124⅞	−⅛	11.19	10.05
108⅝	93⅝	Conversion 9¾pc 2001	99⅝	−⅛	9.77	9.75
122¼	107	Exch. 12pc '99–02	113⅜	−⅛	10.58	9.95
110⅝	96	Conversion 10pc 2002	101⅝	−¼	9.81	9.74
109	94¾	Treas 9¾pc 2002	99⅝	−⅛	9.74	9.73
103	89	Exch. 9pc 2002	94⅝	−⅛	9.52	9.69
		Over Fifteen Years				
136⅝	119⅝	Treas. 13¾pc 2000–03	126¼	−⅛	10.90	10.03
111¾	96⅝	Treas 10pc 2003	102¼	+⅛	9.78	9.71
121⅝	105⅝	Treas. 11½pc 2001–04	111⅝	+⅛	10.29	9.89
111⅝	96⅝	Treas. 10pc 2004	102⅜	+⅛	9.76	9.69
59⅝	51⅜	Funding 3½pc '99–04	55⅜xd	+⅛	6.32	8.60
107⅝	92⅞	Conversion 9½pc 2004	98⅝	+⅛	9.64	9.67
107⅜	92⅝	Conversion 9½pc 2005	98⅝	+⅛	9.63	9.66
116⅜	101¾	Exch 10½pc 2005	107⅛	+⅛	9.80	9.65
132⅝	115	Treas. 12½pc 2003–05	121⅝	+⅛	10.28	9.78
94⅝	81¼	Treas. 8pc 2002–06‡‡	86⅝	+⅛	9.26	9.56
110⅝	95	Conversion 9¾pc 2006	101⅛	+⅛	9.66	9.63
126¼	108⅝	Treas. 11¾pc 2003–07	115¼	+⅛	10.19	9.77
99¾	85¼	Treas. 8½pc 2007 ‡‡	91½xd	+⅛	9.35	9.53
142⅝	123¼	Treas. 13½pc '04–08	130⅝	+⅛	10.35	9.73
104⅝	89⅝	Treas. 9pc 2008 ‡‡	95½	+⅛	9.43	9.50
102	90⅛	Treas. 9pc Ln 2008 "A"	95½	+⅛	9.43	9.50
94⅝	81¼	Treas 8pc 2009	86½	+⅛	9.25	9.47
101⅝	89⅞	Conv 9pc Ln 2011	95½xd	−⅛	9.46	9.52
69⅝	59⅞	Treas. 5½pc 2008–12‡‡	63⅛	−⅛	8.62	9.24
91⅞	79¾	Treas. 7¾pc 2012–15‡‡	83⅝	−⅛	9.27	9.43
134⅝	116⅝	Exch. 12pc '13–'17	123⅝		9.79	9.57

BRITISH FUNDS — Contd

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Undated				
45⅝	39⅝	Consols 4pc	42⅞	−⅛	9.57	—
41¼	34⅝	War Loan 3½pc‡‡	37⅜	−⅛	9.24	—
52¾	46½	Conv. 3½pc '61 Aft	49⅝	−⅛	6.99	—
34⅛	29⅝	Treas. 3pc '66 Aft	31½		9.23	—
29¾	24⅝	Consols 2½pc	26⅝xd	−⅛	9.45	—
29¾	24⅝	Treas. 2½pc	26⅝	−⅛	9.39	—
		Index–Linked			(1)	(2)
133⅜	125½	Treas. 2pc '88(297.1)	133⅜	+⅛	—	—
119¼	108⅝	Do. 2pc '90(333.9)	117⅝	−⅛	0.94	2.43
101¼	93½	Do. 2pc '92‡‡ (385.8)	99⅝	−⅛	2.99	2.78
130⅞	119¾	Do. 2pc '96(267.9)	128⅜	−⅛	3.35	3.76
112¼	96⅝	Do 2½pc '01 (308.8)	108⅛	−⅛	3.65	3.98
110	94⅝	Do. 2½pc '03(310.7)	106⅛	−⅛	3.67	3.97
113¾	94⅝	Do. 2pc '06(274.1)	107⅛xd	−⅛	3.71	3.98
108	89⅝	Do. 2½pc '09(310.7)	100⅝	−⅛	3.71	3.96
113⅝	93¾	Do. 2½pc '11(294.1)	104⅝	−1⅛	3.71	3.94
95¾	76⅝	Do. 2½pc '13(351.9)	86⅞	−⅛	3.70	3.91
103⅝	83⅝	Do. 2½pc '16(322.0)	94⅛	−1⅛	3.64	3.86
101¾	81⅜	Do. 2½pc '20 (327.3)	92⅝	−1⅛	3.57	3.71
86⅜	68¾	Do. 2½pc '24 ‡‡(385.3)	78xd	−⅛	3.52	3.71

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for March 1987:100.6 and for October 1987: 102.9
(rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
113⅞	97⅝	African Dv Bk 11¼Ln 2010	102⅛	−⅛	10.90	10.87
109⅝	93	Asian Dev Bk 10¼pcLn2009	98	−⅛	10.46	10.48
130	117¼	Australia 13½pc 2010	122⅝	−⅛	11.01	10.80
118¼	100½	Do. 11½pcLn2015	105⅝	−⅛	10.79	10.74
115⅝	99⅝	Euro Inv Bk 11pc Ln 2002	104⅝	−⅛	10.50	10.36
110⅜	94⅞	Do. 10¾pc2004	100xd	−⅛	10.37	10.37
126⅜	109⅝	Int-Am Dev Bk 12½pc 2003	114⅝	−⅛	10.93	10.57
104⅝	88¼	Do. 9¾pcLn 2015	92⅝	−⅛	10.52	10.56
97⅜	83	Mlysia 10¾pcLn 2009	86⅝	−⅛	12.37	12.57
115	98⅝	NZ 11¼pc 2008	103⅞	−⅛	10.82	10.77
123¼	100⅝	Do 11½pc 2014	106¼	−⅛	10.99	10.69
130⅞	100¾	Sweden 13½pc Ln 2010	123⅝	−⅛	17.23	23.19
102⅞	95⅝	Utd. Mexican States 16½pc 2008	95⅝	−⅛	10.83	10.77

CORPORATION LOANS

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109⅝	103	Birmingham 13½pc 1989	105⅞xd	+¼	12.75	10.05
119	100½	Do. 11½pc 2012	104⅝xd	+⅛	10.99	10.94
95⅜	82¼	GLC 6¾pc 1990–92	89¼xd	−⅛	7.56	11.00
132½	115	Leeds 13½pc 2006	121½		11.11	13.39
35	22	Liverpool 3½pc Irred	35xd		10.33	—
96	85	LCC 6¾pc '88–90	92½xd	−¼	7.30	10.30
31½	21	Do. 3pc '20 Aft	29½xd		10.17	—
115	103½	Manchester 11½pc 2007	109		10.55	10.40

COMMONWEALTH & AFRICAN LOANS

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
92⅝	81¾	NZ 7¼pc 1988–92	90		8.06	10.11
205	165	S Rhod 2½pc Non-Assd.	205		—	—
78	65	Do. 4½pc 87–92 Assd.	77		—	—
130	70	Zimbabwe Ann (£100pa)	84	−3½	—	—

LOANS

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
101⅝	100	N'wide 11⅞pc 21.12.87	100⅛	−⅛	11.99	9.68
101⅝	100¼	Do. 11¼pc 18.1.88	100½	−⅛	11.11	8.86
101½	99	Do. 10⅝pc 15.2.88	100⅛xd	−⅛	10.78	8.91
101¾	99⅝	Do 10½pc 7.3.88	100⅛	−⅛	10.47	8.90
101¾	99⅝	Do. 9⅞pc 11.4.88	100½		9.91	9.00
102	98	Do. 9⅝pc 3.5.88	100⅛xd		9.67	9.00
101	98⅝	Do. 8⅞pc 23.5.88	99⅝xd		8.89	9.14
100¾	98⅝	Do. 8⅞pc 20.6.88	99⅝xd		8.90	9.11
100⅜	98⅝	Do. 9⅝pc 11.7.88	100⅛xd	−⅛	9.59	9.09
100⅞	99	Do. 10pc 1.8.88	100⅜	−⅛	9.95	9.11
101⅛	99⅝	Do 10⅝pc 22.8.88	100⅜	−⅛	10.49	9.14
102⅞	84	Do. 3¾pcIL Ln 2021	92	−⅛	4.50	4.42
		Public Board and Ind.				
92⅞	84	Agric. Mt. 5pc '59–89	92½xd	+¼	5.40	10.34
48	38⅝	Met. Wtr. 3pc 'B'	45xd		6.67	9.65
		Financial				
103⅝	97⅝	Inv in Ind 11pc UnLn '88	100		11.00	11.65
107	99	Do. 11⅝pc Uns Ln '90	103½xd		11.35	11.69
98½	83½	Do 7¾pcA 89–92	91½		8.56	10.40
113½	105	Do. 12½pc Uns Ln 1992	108½	+⅛	11.52	10.70
98½	81⅜	Do. 7¾pcA '91–94	90½	−½	7.97	7.40
101½	89⅝	Do. 9pcA '91–94	100		9.00	9.90
100	85⅝	Do. 8¾pcLn '92–97	99	+⅛	8.84	7.35

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.@	45xd		3.50	f7.42
52	40	Do. 6pc 28 Stb. Ass.	45		3	f6.37
50	45	Do 4pc Mixed Ass.	45		2	f4.44
66	58	Hung. '24 Ass@	64		2.75	f4.15
146½	122⅞	Hydro Quebec 15pc 2011	132⅜	−⅛	15.00	10.87
136¼	115½	Iceland 14½pc Ln 2016	120⅜	−⅛	14.50	11.94
103½	94	Ireland 9¾pc '91–96	99¼		9.82	10.76

AMERICANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
42	23⅝	Abbott Laboratories‡	24⅝	−¼	$1.00	—	2.2
40⅛	20¼	Alcan $1	24⅞	+⅝	$1.20	—	2.6
18⅞	420p	♦Allegheny & W $0.01	420p	−30	30c	—	3.9
19¾	7⅞	Amax $1	10⅛		—	—	—
30⅞	13¼	Amdahl 5c	16	−⅛	20c	—	0.7
35⅝	18⅝	Amer. Cyanamid $5	21⅛	+¼	$2.05	—	2.7
25⅜	11⅛	Amer. Express $0.60	11⅞xd		76c	—	3.5
12⅞	636p	Amer. Medical Int. $1	685p	+5	†72c	—	5.8
22½	14⅛	American T. & T. $1	14⅞	+⅛	$1.20	—	4.4
65½	43½	Ameritech $1	45½	+¼	h$4.72	—	5.7
24⅜	14¼	Amfac‡	15¾		—	—	—
25	16	Anheuser-Busch $1	16⅞xd	−⅝	60c	—	1.9
98p	33p	♦AridTech‡	33p		—	—	—
10⅛	3⅝	BankAmerica $1⅝	4		—	—	—
34⅝	14⅝	Bankers N.Y. $10	14⅝	−⅛	$1.66	—	6.2
652p	81p	BASIX Corp	81p	−7	12c	—	8.1
49½	35	Bell Atlantic $1	36	+1	$3.84	—	5.8
27	18	BellSouth Corp.	19⅜	+⅜	$2.20	—	6.2
11⅝	4¼	♦Bethlehem Steel $8	8⅞	+½	—	—	—
20½	624p	Bio-Rad Labs. Inc. "A"	624p	−16	—	—	—
27¾	13⅝	Bowater Inc	14⅞	+⅛	92c	—	3.4
21¾	12¼	Browning-Ferris 16⅔c	13⅜xd	−¼	48c	—	2.0
18⅝	6⅜	Brunswick $0.75	7⅝	+⅜	30c	—	2.2
36¼	19⅝	CPC Intl. 25c	22⅛xd	−⅜	§$1.24	—	3.2
25¾	13⅛	CSX Corp U.S.$1.00	14⅜		$1.24	—	4.7
25¼	10⅞	CalFed Inc $1.00	10⅞		$1.20	—	6.0
43⅝	27⅛	Campbell Soup 30c	29¼	−⅜	$1.68	—	3.1
45⅝	24⅞	Caterpillar Inc $1.00	31⅝xd	−½	50c	—	0.9
28⅝	12⅛	Chase Manhattan $12.5	12⅛xd	−¼	$2.16	—	9.8
32⅝	12¼	Chemical New York	13xd		$2.72	—	11.5
29½	11	Chrysler $6¼	11¼xd	+⅛	♦$1.00	—	4.8
21⅝	562p	Chicorp $1	9⅜	+⅛	$1.23	—	7.2
886p	168p	CityFed Fin. Corp.	168p	−5	4c	—	1.3
33	19¼	Colgate-Palmolive $1	20⅛	−½	$1.12	—	3.0
25⅞	13⅝	Cons Freightways $0.625	14⅝	+⅛	82c	—	3.1
398p	132p	Contl Illinois Corp $1	136pxd		8c	—	3.2
53½p	13½p	Cont. Illinois Hldgs $1	13½p		—	—	—
266p	98p	♦Corporate Data Scnce.	116p		—	—	—
831p	242p	Cullinet Sftwr $0.1	244p	−8	—	—	—
45p	10¼p	Damson Oil 40c	11p	−1	—	—	—
33⅞	15⅜	Dana Corp. $1	15⅜	+⅛	$1.44	—	5.1
25⅞	10⅝	Data General	11¼		—	—	—
140p	65p	♦Derma-Lock Medical	65p		—	—	—
44½	25	Dun & Bradstreet $1	26⅞	−⅛	$1.50	—	3.1
66⅝	34¾	Eaton Corpn. 50c	42xd	+¼	$2.00	—	2.6
22⅝	15¼	FPL Group $0.01	15¼		$2.12	—	7.6
22½	10¼	First Chicago $5	10¾xd		$1.50	—	8.2
69⅞	38⅞	Ford Motor $2	40	+¼	$3.00	—	4.1
31⅝	19⅜	GATX 62½c	19⅜xd	−¼	$1.50	—	4.2
40⅛	22¼	Gen. Elect. $0.63	23⅜xd	+⅛	$1.40	—	3.2
10⅝	376p	♦General Host Corp $1	428p	+5	28c	—	2.9
27⅝	14⅛	Gillette $1	15⅞	−¼	76c	—	2.6
15½	580p	Gt Am First Svgs Bk $1	580pxd	−29	♦60c	—	5.7
28⅜	12⅞	Greyhound $1.50	13⅜	+⅛	$1.26	—	5.2
16⅜	605p	Hasbro Inc $0.50	625p	+20	9c	—	0.8
15½	5⅛	Home Group $1	5¼		20c	—	1.9
56⅝	28⅞	Honeywell $1.50@	29½	+¼	$2.10	—	3.9
31⅜	15	Hospital Corp Am $1	16⅜xd	+¼	72c	—	2.4
29⅝	15⅞	Houston Inds.‡	15⅞	−⅛	$2.88	—	9.9
110	59⅝	IBM Corpn $1.25	59⅞xd	−¼	$4.40	—	4.0
25¼	15⅜	IC Industries	15⅜xd	−⅛	88c	—	3.1
41⅝	23⅜	ITT Corpn. $1	23¾	−⅛	$1.00	—	2.3
253p	83p	♦Image Storage/R.Sys.1c	83p		—	—	—
28¼	14⅛	Ingersoll-Rand $2	17¾xd	+⅜	$1.04	—	3.2
16½	788p	Insilco $1	788p	−30	$1.00	—	6.9
12⅝	5⅛	IU Intnl. $1.15	6		60c	—	5.5
96½	18	Lockheed Crpn. $1	18⅝xd	+¼	$1.40	—	4.2
25⅝	10⅝	Lone Star Inds $1	11¼xd	+⅛	$1.90	—	9.2
27⅛	14⅛	Louisiana Land $0.15	15⅜xd		$1.00	—	3.6
21	842p	Lowe's 50c	880pxd	+24	44c	—	2.7
32⅝	13⅞	Manuf. Hanover $7½	14½xd		$3.28	—	12.4
30¼	10⅞	Merrill Lynch $1	13xd	+⅛	$1.00	—	5.0
35⅝	15¼	Molex Inc	17½	+⅛	2c	—	—
33⅛	16⅞	Morgan (JP) $2.5	17¾xd	+¼	$1.36	—	4.3
48	34	NYNEX $1	34		h$3.48	—	5.6
28	14⅝	PHH	15		$1.08	—	3.9
15⅝	859p	Pac Gas & Elect $5	880p	+5	$1.92	—	11.9
25⅝	17	Pacificorp $3.25	17	−⅛	$2.52	—	8.1
20⅝	13½	Pacific Telesis $0.10	14⅛	+⅛	h$1.64	—	6.4
26⅝	11¼	Pall Corp. 25c	11⅝xd	−⅛	34c	—	1.6
56⅞	26¾	Pennzoil 83(1/3)c	43⅝xd	+3⅛	$2.20	—	2.8
30⅜	16¼	Pillsbury‡	16⅛	−⅛	$1.12	—	3.8
12⅝	780p	Premark Intl	11⅞xd	+¼	032c	—	1.5
31	12	Primerica $1.00	12	−⅛	$1.60	—	7.3
36⅞	21¼	Quaker Oats $5	28⅜xd	+¼	$1.00	—	2.3
43⅝	24⅜	RJR Nabisco Inc	25⅛	+½	$1.60	—	3.6

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

AMERICANS – Contd

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
39	21½	Rep NY Corpn $5	21¾xd		$1.16	–	2.9
18¾	8¼	Rockwell Intl. $1	9		66c	–	4.0
30⅞	16¼	Sara Lee $1(1/3)	18¾xd	+¼	$1.00	–	2.9
11⅞	8¼	Saul (B. F.) $1	8⅞		20c	–	1.3
27½	21¼	Southwestern Bell $1	17¾		h$2.32	–	7.2
22¼	994p	Staley Continental	10½	−⅝	80c	–	4.2
44⅞	21⅝	Sun Co. Inc. $1	28	+¼	$3.00	–	5.9
42¼	22⅞	TRW Inc. $0 625	23¾xd	+¼	h$1.60	–	3.7
37¼	21⅛	Tenneco $5	22¾xd	−¼	$3.04	–	7.4
220	149½	Do. 10pcLn Stk. 91-5	155xd		10%	–	14.7
29⅝	15⅜	Texaco $6.25	19¼xd	+1⅞	$3.00	–	8.5
74⅞	36⅞	Time Inc. $1	40xd	+⅜	$1.00	–	1.4
20¼	11	Tracor $0.33(1/3)	17½xd		46c	–	1.3
30¼	15⅞	Transamerica $1	16xd	−¼	$1.84	–	6.3
14⅜	1¼	Transworld Corp $5	850p	+34	20c	–	1.3
27¼	12¼	TRINOVA Corp	16⅜	+¼	56c	–	1.9
24⅞	12⅝	♥USX $1	16⅞	+¼	$1.20	–	4.0
19⅝	9⅞	Union Carbide $1	11½xd	−¼	$1.50	–	7.4
37¼	16¾	Utd. Technologies	17⅞xd	+¼	$1.40	–	4.5
38⅝	25⅞	US West‖	25⅞	−⅛	$3.28	–	6.9
30½	17⅛	Waste Management $1	19	−¼	–	–	–
31⅜	11⅝	Whirlpool $1.0	12¼	+⅝	–	–	–
37¼	16½	♥Woolworth $3½	17	−⅜	$1.32	–	4.3

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp ‖	311p	+11	–	–	–
26¼p	10p	♥Abbot Energy Corp	16½p	−½	–	–	–
18⅛	506p	♥Amer. Barrick Res	11¾		–	–	–
141p	6p	American Lightwave	6½p	+½	–	–	–
122p	33p	♥Armeno	39½p	−1½	–	–	–
117p	39½p	Augmitto Expln	50p	+2	–	–	–
19⅝	10⅝	Bk. Montreal ‖	11¼xd	−¼	$2.00	–	7.8
10½	488p	Bk. Nova Scot. ‖	535p	+8	72c	–	5.9
20⅝	15	BCE ‖	15⅛	−¼	$2.40	–	6.9
10⅞	511p	♥Bow Valley‖	613p	+13	♦40c	–	2.9
20	10⅛	♥Brascan‖	10⅝	+¼	88c	–	3.7
609p	197p	♥Breakwater Res	218p	−6	10c	–	2.0
12⅞	411p	Campeau Corp ‖	690p	+19	–	–	–
11⅝	734p	Can.Imp.Bk. $2	846pxd	+1	$1.08	–	5.6
14	792p	Can. Pacific ‖	846p	+21	60c	–	3.1
42½	37½	Do. 4pc Deb £100	41½xd		4%	–	9.6
827p	332p	Central Capital "A" ‖	384p	+4	–	–	–
152p	28½p	Daxbus Res	66p	−1	–	–	–
780p	423p	Derlan Inds	423p	−46	11.75c	–	1.2
18	756p	♥Echo Bay Mines	12¾	+1	20c	–	0.7
68p	26½p	Energex Minerals	32p	−1	–	–	–
230p	66p	Euro-Asia Capital Ltd	88p	−1	–	–	–
821p	283p	♥Galactic Resources	388p	−41	–	–	–
69p	4¾p	Global Data Systems	33½p	−1½	–	–	–
673p	260p	Granges Expln‖	394p	+7	–	–	–
19½p	7½p	♥Gt Pacific Res	8½p	+½	–	–	–
14½	560p	♥Gulf Canada‖	696p	+18	52c	–	3.3
14⅛	782p	♥Hawker Sid Can‖	830p	−26	96c	–	5.1
740p	332p	Henlys Group	332p	−22	–	–	–
14⅛	767p	♥Hudson's Bay ‖	773p	+6	60c	–	3.4
38⅜	21⅛	♥Imperial Oil‖	25	+¼	s$1.60	–	3.0
14¼	764p	Inco‖	10½	+¼	US$0.20	–	1.0
230	14½	♥Intl. Corona Res	22½	−⅝	–	–	–
785p	440p	♥Inland Nat. Gas $1	446p	−8	60c	–	5.9
10¾	385p	♥Lacana Mining Corp ‖	555p	−7	Q15c	–	1.2
756p	129p	Madeleine Mines	244p	−6	–	–	–
2456p	102p	♥Muscocho Expln	149p	−10	–	–	–
11⅜	485p	♥Mitel Business Syst ‖	488p	+3	–	–	–
623p	183p	♥Nevada Goldfields	287p	−5	–	–	–
251	696p	♥Rio Algom	779p	+18	$1.30	–	7.3
19⅛	11¼	Royal Bk. Can. ‖	11¾	+½	$2.08	–	7.8
403p	135p	♥Royex Gold Mining ‖	301p	−2	–	–	–
52¼	27⅜	Seagram‖	29	+½	US$1.00	–	1.9
731p	235p	♥Sonora Gold Corp‖	361p	+3	–	–	–
208p	21½p	Spiral Eng	25p	+½	–	–	–
15¾	10	Toronto-Dom. Bk.‖	11⅝xd	+⅛	84c	–	3.2
228p	19p	♥Trans Atlantic Res ‖	31p	−1	–	–	–
10⅛	591p	♥Trans Can Pipe	638p	−2	$1.12	–	7.7
200p	115p	Varity Corp‖	125p	−2	B–	–	–

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
299	128	ANZ SA1	133	+2	Q21c	♦	6.3	♦
*273	175	Allied Irish	195	+5	†Q61.6%	2.8	7.3	6.8
*£16½	£10½	Algemene Fl.10	£10¼	−⅛	Q2.7%	2.1	7.5	6.3
*128	53	Anglo Irish	59xd		Q19.1%	♦	6.7	♦
108	72	Ansbacher (H.) 1p	72		N2.0	–	3.8	–
£49½	£24¼	Banco de Bilbao S.A.	£30½		♦Q38%	3.0	2.9	11.3
£34½	£23½	Banco de Santander	£24	−2½	†Q19.1%	2.7	2.0	–
*245	175	Bank Ireland Ir£1	195	+5	†Q15.3%	2.9	7.2	6.7
£15	£11½	Bank Leumi	£15		–	–	–	–
390	240	Bk.Leumi (UK)£1	390		12.4	–	4.9	–

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES — Contd

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	340	+3	†10.5	—	4.2	—
*£11¼	733	Prudential	881	+8	†29.0	—	5.0	—
598	350	Refuge 5p	390	—	15.75	—	5.5	—
595	345	Royal	388	+3	†t15.5	—	5.6	—
110	75	Sabre Ins. Inns.	80	+5	—	—	—	—
*345	168	Sedgwick Group 10p	201	−2	12.0	1.7	8.2	8.6
339	138	Steel Burrill J.10p	138	—	†9.0	2.0	8.9	7.7
612	305	Stenge Hldgs 20p	315	−3	†66.0	2.5	2.6	20.6
£12¼	645	Sun Alliance	794	+19	†23.5	—	4.1	—
£13	865	Sun Life 5p	885	+5	†28.5	—	4.6	—
£69¾	£36½	♦Taisho M EDR	£44½	−1	♦Q10%	—	0.9	—
£22¼	£12¾	Torchmark $1.00	£22¾	−¼	Q$1.00	—	4.4	—
410	235	Trade Indemnity	357	—	†14.3	—	5.6	—
£34	£17¾	Travelers $1.25	£17¾	−⅛	$2.28	—	7.0	—
£30¼	£16	USF & G Corp $2.50	£16	—	Q$2.48	—	8.5	—
£23¾	£15¾	USLIFE Corp. $1.0	£15¾	−¾	Q$1.28	3.2	4.5	7.0
738	555	♦Utd Friendly B 10p	578	—	21.0	—	5.0	—
464	192	Willis Faber 12½p	203	—	†10.75	2.4	7.3	7.7
128	41	Windsor Secs. 10p	61	+1	†0.7	1.5	1.6	—

LEISURE

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	♦A & M Group 10p	14	+1	—	—	—	—
242	80	Airtours 10p	88	—	L6.4	♦	9.8	♦
*547	253	Anglia TV	298	+21	♦t11.25	3.3	5.3	8.1
194	77	♦Aspinall Hldgs. 10p	160	—	†6.0	1.2	5.1	21.9
143	62	♦Avenzo 1p	70	—	0.5	6.7	2.0	19.8
72	40	♦BCE Hldgs 5p	47	—	Ld1.0	♦	2.9	♦
300	132	Barr & W.A.T. 'A'	185	—	†8.0	1.4	5.9	15.1
58	22	Bond Media	28	—	—	—	—	—
235	165	Boosey & Hawkes	170	−2	—	—	—	—
83	28	♦Border T.V.	44	+2	1.4	♦	4.4	♦
*439	431½	Brent Walker 10p	278	+9	†t8.5	2.2	5.1	13.0
124	79	Do 6pc.Cu.Cnv.Rd.Pf.	91xd	—	6.0	—	9.0	—
*338	110	Campari Int. 20p	179	+2	†3.0	5.1	2.3	9.2
306	152	♦Castle Comms. 5p	165	+3	L7.0	2.0	6.0	11.5

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 7	Dec 17	Dec 18	Jan 4
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1

*New time dealings may take place from 9.00 am two business days earlier.

Equities and bonds regain small early losses during slow trading session

A HEAVY SCHEDULE of economic and financial numbers, ranging from yesterday's November retail sales and producer prices and concluding with the money supply statistics for the same month on Friday, put a dampener on business in UK security markets.

Optimistic surveys of the economy from the Confederation of British Industry and leading agency broker James Capel failed to shake markets out of their lethargy. A lull in corporate raiding activity, which had played such an important role the previous week, was another subduing influence. Only the emotive oil and gas sector heard any real noises yesterday.

The CBI is confident that manufacturing industry will escape unscathed from the stock market crash while the broking house forecasts's that Britain will remain top of the league for economic growth next year.

But institutional investors continued to adopt a stand-off attitude, although many hold the view that leading shares may extend the recent advance in the run to the Christmas holiday. Marketmaking firms with financial accounting years ending this Friday are also hoping for a splash of yuletide spirit.

Another factor restricting business activity was a fresh early surge in sterling. The rate eventually reacted from the highest but demand for international stocks showed few signs of reviving after attention had been drawn to the adverse effects of the ailing dollar by the chairman of multinational group **Glaxo.**

A continuation of the firmer trend on Wall Street, however, provided something of a safety net for equities and the FT-SE 100 share index regained its loss late in the session. After showing a fall of 10.4, the index closed 1.0 firmer on the day at 1652.6.

The bond market was sold down initially. Institutional operators took a negative view and some professional traders decided to sell stock. Longer Gilts fell around half-point, giving yields of 10 per cent on selected stocks, and this seemed a buying opportunity to one or two longer-term investment funds.

The professionals ran out of ammunition and, with little evidence of genuine divestment the market gradually regained all the ground lost. Index-linked issues were the exception, losing a point in places following switching into conventional Gilts. The RPI computer error was not held responsible for the weaker tone in the sector.

Tenders for the £1bn issue of Treasury 8 per cent Convertible stock 1990, announced late on Friday, must be lodged by 10 am tomorrow at a minimum price of £98 with a deposit of £50 per cent.

Britoil shares remained the most sought after stock in a highly charged oil and gas market after news that BP is to bid more than the 350p a share offered by America's Atlantic Richfield in order to increase its stake to 29.9 per cent.

Britoil shares jumped smartly and touched 378p before coming off to close a net 19 higher at 371p; stories suggested that Wednesday and Thursday will be crucial in the current takeover saga - dealers say that a bid of perhaps 425p a share is on the cards with BP fully expected to up its tender offer to around that level. "The smart money is still on a higher bid coming into the arena and British Gas has still to show its hand", a leading dealer said. Turnover in Britoil topped 36m shares.

BP "new" were also one of the market's most active stocks - over 12m shares changed hands - and the Kuwait Investment Office (KIO) was said to have been back in the market buying the stock, which closed a unaltered on balance at 72p. BP "old" were finally 4 cheaper at 244p - turnover was around 5m shares - despite news that the KIO has upped its overall stake in BP to 13.07 per cent via recent purchases of over 92.5m shares.

British Gas settled a couple of pence easier at 124p with volume totalling only 1.3m shares.

The rest of the oil sector was unsettled by the latest news and rumours emanating from the OPEC meeting in Vienna. Brent crude for January delivery slipped badly and touched $17.10 a barrel before ending the session a net 90 cents off at $17.15 a barrel.

OPEC fears and analysts' views that crude oil prices could well dip to around $15 a barrel next month triggered widespread losses among the second-line stocks which have moved up strongly during the first exchanges in the struggle to gain control of Britoil.

Enterprise surged up to 296p before slipping back to close a net 14 off at 271p, while **LASMO**, widely tipped as the next major target in the sector, lost 16 to 279p.

Tricentrol put on 5 more to 170p with dealers still looking for a counter from the US to Elf's 145p a share bid which followed last week's dawn raid on the company.

Calor joined the ever-growing list of stocks said to be ripe for a bid and put on 6 to 455p. **Clyde**, bought up to 117p early on finally settled a net 5 off at 107p, while **Goal** closed a penny off at 87p, after 94p. **Ultramar**, where New Zealander predator Ron Brierley is sitting on a 13 per cent-plus stake, ended 7 down at 190p, after an opening 209p.

Glaxo came under selling pressure and closed 38 down at 981p in the wake of the chairman's warning about the impact of currency influences on the company's accounts measured in sterling.

He pointed out at the annual meeting that exchange rates have affected the results for the first five months of the current financial year to an even greater extent than in the past. However, he also stated that fluctuations in currencies which produce a distorted picture of the group's performance have little to do with the fundamental soundness or the real growth of the business.

Wellcome came under selling pressure as competition fears for the company's anti/Aids drug Retrovir resurfaced. The shares fell away to 354p before closing a little above the worst with a fall of 18 on the day at 360p; some 5.9m shares changed hands.

It was subsequently announced that the company had decided to reduce the price of Retrovir to the extent of 20 per cent. Although anticipated at some stage, analysts thought that the move was earlier than than expected and would result in a downgrading of future earnings potential.

Leisure group **Brent Walker** were bought after the formation of a joint venture company, to be named Walker Power Corporation, which will assume responsibility of the redevelopment and management of the Trocadero site in London's West End, currently owned by Brent Walker. BW's partners are Power Corporation and the construction group AMEC.

Brent Walker acquired the Trocadero site last September from Electricity Supply Nominees for a cash consideration of £90m. At the close, the shares of Brent Walker were 7 higher at 268p.

Grand Metropolitan, the major UK brewer, hotels and food group, rose 9 to 413p encouraged by news that the company is seeking to lift its stake in Martell, the French cognac house, to 20 per cent. It is understood that Grand Metropolitan has been building up its stake from its original 10 per cent with the approval of the Martell family. A stake of 20 per cent requires the approval of the French Government.

Grand Metropolitan is expected to report pre-tax annual profits of about £450m compared with a re-stated £368m when it reports on on Thursday.

Guinness held firm at 288p as the company announced the sale of Distillers CO2, the carbon dioxide producer, to Messergriesheim of West Germany for around £46m.

The sale completes the programme announced in April of selling off non-drinks subsidiaries and concentrating on the core activities of the group.

Bank shares continued to perform reasonably well, according to dealers. **Barclays**, after the cash injection into BZW and recent news of the expansion into French markets, edged up 3 to 446p, while **Midland** hardened a shade to 370p.

TSB shrugged off stories and counter stories of trouble in the boardroom and closed only a fraction off at 106p.

But **Standard Chartered** continued to make progress, closing 10 better at 485p. A mixed merchant banks sector showed **Morgan Grenfell** 6 higher at 242p. Elsewhere **Cater Allen** held at 343p following news that Ensign Trust has upped its stake to 7.19 per cent.

Insurances were again featured by takeover and or stakebuilding speculation in **Commercial Union** which boosted the shares a further 10 to 340p. The rumours surrounding CU also triggered good buying interest in **General Accident**, which added 15 to 810p, **Guardian Royal Exchange**, 11 higher at 800p and **Sun Alliance** which moved up 10 to 795p. Lifes included numerous firm performers - notably **Abbey** where strong buying by Smith New Court boosted the stock 10 to 243p. **Pearl,** where bid speculation was revived, gained 4 to 341p.

Brokers showed **Minet** a further 8 lower at 441p - still upset by stories of possible Lloyds opposition to the agreed bid from St. Paul of Minnesota. Profit-taking left **Hogg Robinson** 3 easier at 123p.

Construction industry suppliers **Shorco** staged a successful debut in the Unlisted Securities Market, the shares opening at 105p and closing at 106p compared with the placing price of 100p.

Breweries were inclined firmer with **Greene King** closing a few pence to the good at 449p after announcing interim figures much in line with market expectations. **Scottish and Newcastle,** scheduled to reval half-year results today, closed 2 cheaper at 210p; analysts are looking for pre-tax profits of around £59m.

Marketmakers described interest in Building shares as patchy, nevertheless, selected leading issues made good progress helped by bullish views from agency brokers James Capel and securities house County NatWest. Sporadic demand and the absence of sellers prompted marketmakers to mark certain stocks sharply higher with **George Wimpey** a feature at 222p, up 17. **Taylor Woodrow,** additionally boosted by talk of a broker's profits upgrading, rose 19 to 319p. **Redland** moved up 4 to 379p and **Rugby** put on 7 to 202p. **Tarmac** improved to 223p initially on rerating suggestions, but subsequently eased back to close a couple of pence cheaper on balance at 218p. Timbers went higher including **Meyer International,** 13 to the good at 316p and **Magnet,** 5 better at 192p.

British Dredging attracted buyers at 124p, up 6, while **Wilson (Connolly)** gained 8 to 275p and **Berkeley Group** put on 9 to 236p in thin markets. Occasional buying interest left **Ruberoid** 3 dearer at 127p.

ICI rallied smartly from early weakness - the shares touched £10¼ at one point - and closed some ⅛ higher at £10⅛ as Wall Street came in with a rise of around 30 points.

The latest retail sales figure came as no surprise to the stores sector which steadied late in the session after a poor early performance. **Sears,** upset by comment on the bid for Freemans, dipped 5 to 128p with **Freemans,** despite Press talk of possible counters to the Sears offer, a similar amount down at 295p.

Ward White were 3 easier at 285p following acquisition news. Elsewhere, **A.Goldberg** jumped 13 to 153p as takeover speculation continued to swirl around the company.

Plessey performed impressively in the electronics sector and put on 6½ to 150½p after a turnover 4.9m shares reflecting recent profits upgradings by numerous leading broking firms and vague talk of bid possibilities.

Elsewhere, **STC** jumped 7 to 228p ahead of the analysts meeting scheduled for later this week. Bid speculation lifted **Oxford Instruments** 10 to 221p.

Among the Engineers, trading statements prompted a rise of 5 to 76p in **A. Lee** and an improvement of a few pence to 48p in **Brasway. Cronite** hardened a penny to 50p in response to the proposed acquisition of F. Atkinson (Nottingham) from Walker Greenbank.

A selectively firm Food sector showed **Argyll** 6 better at 191p and **Dee Corporation** 3½ dearer at 172p. **Hillsdown** were quite perky at 263p, up 7, while **Tate and Lyle** hardened a few pence to 685p. **Acatos and Hutcheson** attracted support ahead of tomorrow's annual results and rose 18 to 426p in a restricted market. **Fitch Lovell** shaded to 265p following acquisition news.

International stocks traded on an extremely subdued note amid continuing currency worries. A late recovery in the US dollar and a firmer opening trend on Wall Street helped sentiment towards the close, but failed to produce much in the way of dealing activity.

Some old takeover chestnuts came to life with **Christies International** prominent at 338p, up 20, and **Bowater** noteworthy for a rise of 14 at 337p. **Pearson** improved 10 to 640p as News Corporation, headed by Rupert Murdoch, confirmed that it had purchased a further 250,000 shares in the company last week. Week-end Press mention stimulated demand for **Avon Rubber** which put on 30 to 593p, while **Pentland Industries** held at 103p after the proposal to purchase up to 27.9 per cent of its own shares.

A sparkling set of preliminary results from **Yorkshire TV** breathed life into the television sector. **Yorkshire** revealed annual profits some £2m in excess of market estimates and the price responded with a gain of 12 at 215p. Sympathetic gains were seen in **Thames,** 10 up at 288p and **Anglia A,** around 20 higher at 290p. **LWT** advanced 47 to 710p and **HTV** rose 12 to 225p.

Marina Developments made good progress following the interim statement to close 12 higher at 290p.

Norton Opax, the lottery cards, printing and packaging group, moved up 11 to 116p in reply to the better-than-expected preliminary figures.

Analysts top forecasts ranged aound £22m for the 18 month period. In the event, Norton weighed in with pre-tax profits of £25m.

Leading Properties closed little changed following a slow business. However, selected secondary issues made progress with **Egerton Trust** adding 6 to 134p and **Evans of Leeds** firming 5 at 123p. **Laing Properties** advanced 8 to 283p. **Britannia Group** were 3 dearer at 103p and **Parkdale** a shade better at 99p.

Traded option contracts totalled 18,957 comprising 12,801 calls and 6,156 puts. **Hanson Trust** attracted 1978 calls and 186 puts, while the **FTSE** contract registered 365 calls and 375 puts.

Traditional Options

- First dealings Dec 14
- Last dealings Dec 31
- Last declarations Mar 17
- For Settlement Mar 28

For rate indications see end of London Share Service

Interest in the traditional option market remained at a low level. Stocks to attract money for the call included **Lonrho, Southend Stadium, Rank Hovis McDougall, Eagle Trust, Ultramar, North Kalgurli, ICI, Bat Industries and Pilkington.** No put or double options were reported.

FINANCIAL TIMES STOCK INDICES

	Dec. 14	Dec. 11	Dec. 10	Dec. 9	Dec. 8	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	87.94	88.37	88.94	89.17	89.08	82.39	93.32 (8/5)	83.75 (14/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.01	96.21	96.52	96.49	96.59	89.08	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1312.4	1310.7	1285.0	1297.6	1294.9	1280.3	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	336.0	327.3	324.3	324.8	317.3	313.2	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.77	4.72	4.83	4.78	4.81	4.47				
Earnings Yld. % (full)	11.87	11.66	11.95	11.85	11.89	10.61				
P/E Ratio (net) (*)	10.32	10.48	10.24	10.33	10.28	11.57				
SEAQ Bargains (5pm)	21,883	23,258	25,469	21,136	23,382	29,882				
Equity Turnover (£m)	-	1318.86	1149.41	1042.39	1239.91	1150.64				
Equity Bargains	-	25,993	25,222	23,463	25,024	45,843				
Shares Traded (ml)	-	616.4	588.8	523.7	644.5	505.3				

S.E. ACTIVITY		
Indices	Dec. 11	Dec. 10
Gilt Edged Bargains	96.2	114.6
Equity Bargains	168.4	163.4
Equity Value	2665.8	2323.3
5-Day average		
Gilt Edged Bargains	116.2	126.6
Equity Bargains	157.0	160.8
Equity Value	2181.6	2067.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1310.6	1303.7	1304.7	1309.0	1304.1	1304.1	1304.6	1305.4

Day's High 1312.7 Day's low 1301.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.17.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (1).
BRITISH FUNDS (1) Treasury 2pc 1988.

NEW LOWS (56).
INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) AMERICANS (6) CANADIANS (2) BANKS (5) BUILDINGS (3) CHEMICALS (1) STORES (1) ELECTRICALS (6) ENGINEERING (1) FOODS (2) INDUSTRIALS (9) INSURANCE (3) LEISURE (2) NEWSPAPERS (1) PAPERS (2) PROPERTY (2) TRUSTS (3) OILS (5) PLANTATIONS (1) MINES (3).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

FT – ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Monday December 14 1987

[illegible]

FIXED INTEREST

[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

December 14 Total Contracts 18,957 Calls 12,801 Puts 6,156
FT-SE Index Calls 365 Puts 375
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices December 14

[illegible]

F–No voting rights or restricted voting rights.

MONTREAL

Closing prices December 14

[illegible]

Total Sales 5,855,102 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

[illegible]

Indices

NEW YORK — DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. [illegible]

[illegible]

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Avon Rubber	593	+	30
Berkeley Group	236	+	9
Bowater	337	+	14
Brent Walker	270	+	9
Britoil	371	+	19
Christies Intl.	338	+	20
Commercial Union	340	+	17
LWT	710	+	47
Meyer Intl.	316	+	12
Norton Opax	116	+	11
Taylor Woodrow	319	+	19
Wilson (Connolly)	275	+	8
Wimpey (Geo.)	222	+	17
Yorkshire TV	215	+	12

FALLS

Tres. 2½% IL 2011	$104⅜	–	1⅛
Enterprise Oil	271	–	14
LASMO	279	–	16
Ultramar	190	–	7
Wellcome	360	–	18

TOKYO – Most Active Stocks
Monday December 14 1987

	Stocks Traded	Closing Prices	Change on day
Tokyo Construction	9.85m	790	-
Nippon Metal	8.17m	701	+1
Nippon Light Metal	7.37m	490	-10
Pacific Metals	6.35m	453	+23
Nippon Steel	5.92m	413	-5
Toyo Tire & Rubber	5.30m	531	+43
Kawasaki Steel	5.09m	348	-3
Sanyo Electric	4.83m	450	-5
Sumitomo Construstion	4.43m	648	-2
Yodogawa Steel Works	4.36m	1,150	-50

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	2.1	15	507	16¾	15	16¾	+1⅛
32½	19	AFG s	.16	.7	8	154	23⅝	23⅛	23⅝	+¼
27	10½	AGS s			13	498	15¾	13½	15½	+2⅛
10½	6¼	AMCA				95	6⅞	6⅝	6⅝	+⅛
9⅜	3¼	AM Intl			33	2447	4⅝	4⅛	4⅝	+¼
65½	26¾	AMR			9	6241	31⅛	28¾	31⅛	+2
27½	24⅞	ANR pf 2.67		11.		1	25¼	25¼	25¼	+⅛
12¼	6⅜	ARX s			7	315	7⅛	6⅞	7⅛	+⅛
73½	35⅛	ASA	2a	3.8		1394	54½	52¾	53	
22⅜	9½	AVX			17	270	13½	12⅜	13½	+1⅛
67	40	AbtLab	1	2.2	17	4520	46¼	44½	46	+1½
28	15⅜	Abitibi g				220	19½	18¾	19½	+¾
16¾	8½	AcmeC	.40	3.9	15	302	10⅜	9⅞	10⅜	+⅜
10½	6⅛	AcmeE	.32b	4.6	24	45	7	6⅞	7	
20	14⅛	AdaEx	3.34e	22.		221	15⅛	15	15	
19½	6⅞	AdamM	.24	2.9	6	70	8⅜	8¼	8⅜	+⅛
35	16⅝	AdvSys			12	528	27¼	25½	27	+¾
24⅞	7½	AMD				9077	10⅛	9	10	+⅜
56¾	29¼	AMD pf	3	9.7		164	31¼	30⅞	30⅞	+¾
11⅞	4⅝	Adobe				403	5½	5¼	5⅜	+⅛
15	6⅛	Advest	.12a	1.5	6	123	8	7¾	8	+⅜
68¼	43¾	AetnLf	2.76	6.1	6	2807	45⅛	44	45	+⅞
83½	33¼	AfilPb s	.40	.9	7	284	44⅞	42¾	44¾	
26⅞	13	Ahmans	.88	6.6	8	10639	13½	13	13⅜	+⅛
5⅜	1¾	Aileen				56	2¼	2⅛	2⅛	
53⅞	29	AirPrd	1	2.8	13	2407	35⅞	33⅜	35¾	+2
38	11⅛	AirbFrt	.60	4.8	8	507	12⅜	11⅞	12⅜	+⅜
16½	6¾	Airgas			14	654	9½	8⅝	9½	+½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
5⅛	2⅞	PatPtr			65	86	3⅜	3¼	3¼	−⅛
18⅝	3⅜	Patten	.04i	1.0	5	x683	4¼	4	4⅛	+¼
21½	10⅞	PayNP	.30j		17	65	13¾	13⅝	13¾	+⅛
26⅞	9⅜	PayCsh	.16	1.5	9	834	10⅜	10¼	10½	−⅛
60½	37	PenCen	.05	.1	14	3508	44⅝	44¼	44⅝	+¾
66	35¼	Penney	s1.48	3.3	11	4483	45	42⅞	45	+2¼
41⅝	28¾	PaPL	2.68	8.1	10	689	33⅞	32¼	33	+½
58	43½	PaPL	pf4.40	10.		z410	44	d43	43	−1
104	75	PaPL	pf8.60	10.		z100	84⅞	84⅞	84⅞	
101	78	PaPL	pr8.40	10.		z100	83	82½	82½	+⅝
107	89¾	PaPL	pf9.24	9.2		z20	100	100	100	+¼
98¼	74	PaPL	pr 8	10.		z730	80	78½	78½	−1¼
68¼	34¾	Penwlt	2.40	5.8	12	103	42	41	41⅝	+⅝
39½	20½	Penw	pr1.60	6.5		39	24½	24	24½	+½
95	38½	Pennzol	2.20	2.9	57	3307	80	74½	74⅞	−4⅞
26¾	14¼	PeopEn	1.44	9.1	10	x396	16½	15⅝	15⅞	+⅜
18⅞	9½	PepBoy	s .08	.6	21	976	13½	12½	13⅜	+¼
42¼	25½	PepsiCo	.68	2.1	15	6390	32¾	30¼	32⅞	+1¾
12¾	7⅜	PerkF	1.15e	13.	13	90	9⅜	9	9⅛	−¼
41⅛	18½	PerkEl	.60	2.5		1483	24⅛	22¾	24⅜	+1½
8⅛	5⅛	PmianB	.53e	9.9	11	476	5½	5¼	5⅜	
10¼	6¾	PrLP	pr1.15	13.		441	8⅞	8½	8¾	−⅛
15⅝	5⅜	PeryDr	.22	3.8		306	5⅞	5½	5¾	+⅛
40	15	Petrie	.70	4.1	12	729	17	16⅝	17	+½
21¼	15½	PtPer	n 2	12.	12	287	16⅞	16⅝	16⅝	−⅛
33½	21¾	PetRs	3.98e	18.		100	22⅜	21¾	21¾	−⅝
19¾	15	PetRs	pf1.57	9.9		26	15⅞	15½	15⅞	+⅝
2⅛	1	Ptrlnv	.16e	16.		115	1⅛	1	1	
77	40	Pfizer	1.60	4.3	10	6123	42⅞	41¼	41¾	
56	20½	PhelpD	.60	1.3	22	4869	45⅞	44⅜	44¾	−⅜
74	37	PhlpD	pf 3	4.9		376	62⅜	60¾	61¼	−¼
26	16¾	PhilaEl	2.20	12.	8	1859	18¾	18½	18¾	+⅛
45½	34	PhE	pfA3.80	8.5		z260	44½	43	44½	
49	37½	PhE	pfB4.30	10.		z100	42	42	42	+1
97⅞	69	PhE	pfG8.75	11.		z170	77	76¼	77	
13¾	11	PhE	pfR1.41	11.		17	12⅜	12½	12½	−⅛
13¼	9⅞	PhE	pfP1.33	11.		64	12	11⅝	11¾	
88⅝	65⅜	PhE	pfH7.85	11.		z100	72⅞	72⅞	72⅞	+⅛
12⅞	9¾	PhE	pfO1.28	11.		67	11⅝	11½	11⅝	−⅛
120½	110	PhE	pfM15.25	13.		z110	116½	115	116	+½
103	79	PhE	pfK9.50	11.		z300	85½	84⅞	84⅞	+⅞
88	64	PhE	pfJ7.80	11.		z700	69⅞	69	69⅞	
85	60	PhE	pfI7.75	11.		z330	70½	69	69	
19	12⅛	PhilSub	.94	6.9	13	32	13¾	13¼	13⅝	
[illegible]										

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
85	50	Xerox	3	5.3	12	3074	56⅝	54⅝	56¼	+1⅝
58¼	52½	Xerox	pf5.45	10.		214	53	52¾	52⅞	
31½	19¾	XTRA	.64	3.1	13	286	20⅝	19⅞	20⅝	+½
28¼	18½	XTRA	pf1.94	9.9		5	19⅝	19⅝	19⅝	−⅜
33⅞	18⅛	Yorkin			10	98	23	22½	23	+⅜
7¼	2⅜	Zapata				472	2⅝	2⅜	2⅝	+⅛
37	13½	Zayre	.40	2.7	5	3184	15¼	14⅛	14⅞	+⅝
16⅝	9¼	Zemex	.40	4.3	5	9	9½	9¼	9⅜	−⅛
33⅝	10	ZenithE				2790	14¼	13¾	14¼	+⅛
13½	2¾	ZenLab				15513	d	2⅝	3	+¼
26½	13½	ZenNtl	.80	5.2	8	185	15⅝	15⅜	15½	+¼
20⅝	11⅝	Zero	.36	2.5	14	142	14½	13⅞	14⅝	+¼
30¾	15	Zurnln	s.68	4.0	11	484	17¼	16¾	17	
10⅝	7⅜	Zweig	.92e	11.		830	8⅝	8⅜	8⅝	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER Nasdaq national market, closing prices

Stock	Sales (Hds)	High	Low	Last	Chng
[illegible]					

Continued on Page 43

FINANCIAL TIMES Tuesday, December 15 1987

AMERICAS

Dow advances confidently despite weakness in oils

Wall Street

SHARPLY lower oil prices gave US equities a substantial boost yesterday as traders interpreted the failure so far of the Organisation of Petroleum Exporting Countries to reach a new pricing accord as favourable for inflation, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 65.82 higher at 1932.86 in the biggest rise in a session since October 29, when the index gained 91.51 points. Trading was reasonably active with more than 187m shares changing hands. Substantial buy orders seemed to have been triggered by futures-related programmes.

There was a general sense of confidence underlying yesterday's substantial advance, partly because of the market's relative resilience on Friday in the face of a dollar at post-war lows and a record merchandise trade deficit in October. A slight recovery in the dollar yesterday helped steady nerves. In late trading, the dollar had managed to hold above DM1.63 and tested the Y128 level.

US Treasury bonds also benefited from the anti-inflationary implications of lower oil prices and the dollar's relative stability. The Treasury's 8.875 per cent 30-year benchmark issue was quoted around 13/16 points higher in late trading to give a yield of 9.38 per cent.

Bond traders are taking a cautious stance prior to this week's meeting of the Federal Open Markets Committee for any clues to Fed thinking on monetary policy.

The consensus view appears to be that the Fed will keep monetary policy steady and continue to target the Fed Funds rate at around 6¾ per cent.

Crude oil prices yesterday dropped around $1 per barrel from Friday's closing levels before recovering modestly towards the end of the day as reports emerging from Vienna suggested Iran may be persuaded to sign a compromise pricing deal which would maintain the current $18 per barrel reference price for six months. The January futures contract traded around $17.50, 75 cents per barrel down on Friday's close.

Early weakness in the oils sectors dissipated as more hopeful signs emerged from Vienna. Exxon reversed a $⅜ loss to close $⅛ higher at $39⅞ and Chevron recovered from being down $⅝ to close $⅛ higher at $38¾. Atlantic Richfield, which on Friday announced a partial offer for Britoil, closed $2 down at $65⅝.

The shares were undermined by a statement by the British Panel on Takeovers and Mergers that Atlantic Richfield must seek a waiver if it is to raise its stake in Britoil to 49.9 per cent from 29.9 per cent, as it proposes.

Texaco and Pennzoil closed lower on profit taking after Friday's sharp rises after reports their marathon legal battle was about to be settled. Texaco lost $⅛ to $35½ and Pennzoil slumped $4⅞ to $74⅞.

Gold was another commodity in the limelight yesterday as the price of spot gold soared above $500 per ounce for the first time in more than four years, albeit only temporarily.

Among gold mining stocks, Homestake Mining reversed a midsession gain of $¼ as the spot gold price eased back to close $⅛ down at $17⅞ and Newmont Mining lost a gain of $¾ to close down $⅛ at $38⅛.

Among featured stocks, USX rose $½ to $31 after news that investor Carl Icahn had received government approval to boost his 11.4 per cent stake in the company.

GAF, the US specialty chemicals and building materials group, fell $¾ to $44¼ after yesterday's announcement of substantially lower terms for the proposed management buy-out.

Telex jumped $3¼ to $56 after the announcement that Memorex International had agreed to acquire the company for $62 a share in cash and preferred stock.

Amfac, the retailer and hotel conglomerate, rose $1⅞ to $30¾ after the company's announcement of a major restructuring plan which would involve a cash or cash-and-equity payout to shareholders. International Technology, which also announced restructuring plans yesterday, rose $⅛ to $6⅞.

In the over-the-counter market, Washington Scientific rose $¾ to $7 after news that a group including Mr Richard Handelsman, a Chicago investor, had built up a 5.1 per cent stake and may seek to take control of the company.

Canada

BUOYED by rising blue chips and resource issues, Toronto stocks shadowed an advance on Wall Street to close sharply higher.

The composite index climbed 70.40 to 3171.10 as advances outpaced declines by 554 to 328 on heavy volume of 42.7m shares.

Richard Gourlay examines the impact of political developments on the Philippine market

Manila sees glimmer of optimism

AFTER undergoing a two month siege, players in Manila's small but lively stock market are popping their heads over the parapet and deciding that things are not too bad abroad or at home after all.

Last Wednesday the Philippines' military captured Col Gringo Honasan, who was seen as the single most dangerous threat to the stability of the Government since his escape after leading a failed coup attempt on August 28.

Then, copper prices rose close to a 10-year high and the price of bullion was on the way to breaking through $500, both events which boosted mining companies.

With this coming on top of an unexpectedly high third quarter growth of 6.8 per cent following a surge in consumer spending, the buzz among brokers thinking that Christmas might be coming early this year has become quite audible.

"The political air is starting to clear, so we might get an end of year rally," says Mr Chito Gonzales of brokers Anscor Haggerdorn.

On Monday, Manila's Makati stock market index closed at 701.25, up 21.86 on Friday's close and some 10 per cent over the week. The mood of optimism in the mining sector spread quickly to industrial and oil shares, which benefited from speculation surrounding oil drilling in the country.

The volume of trade, though, at around $3.8m a day, is still far short of the record levels in July when daily volumes reached $30m.

For Philippine equities, the crunch came three months early, back in July. On October 19, when the world fell in on almost every other stock market, Manila shared the limelight with South Korea and actually rose, albeit briefly.

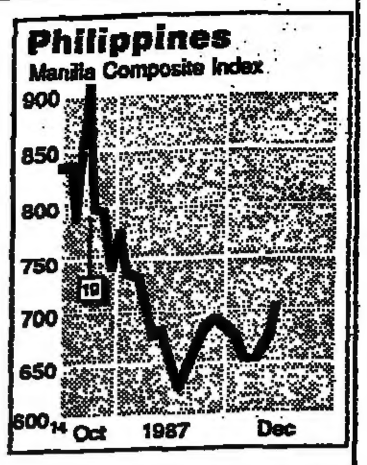
At the market's peak on July 21, Manila's composite index stood at 1,337 with more than 7bn shares being traded daily. Few brokers forsee a repeat of such turnovers.

However, brokers in Manila and Hong Kong have taken heart that the announcement of disastrous US trade deficit figures for October last week did not shave more off world markets. Braver brokers in Manila yesterday talked of good markets throughout Asia for the first months of next year, although they admit there are still few signs of foreign investors returning to Manila's market, even given favourable metal prices.

The market is still dominated by trading in the the country's big three blue chips, beer-based San Miguel, copper and gold producer Philex and the Philippine Long Distance Telephone Corp. All three have moved up in line with the market over the past week.

Yet Manila's market is still essentially a political barometer. Brokers said yesterday that a continuing rise in the market will depend as much on a successful – for which read peaceful – conclusion to the Association of South East Asian Nations summit meeting which started yesterday in Manila as on the latest fundamental news or copper price.

People are still nervous enough following the October 19 crash to sell on the slightest hint of trouble in Manila.



ASIA

Yen's strength undermines attempt at rally

Tokyo

THE YEN's unabated strength against the dollar dampened buying interest in very quiet trading in Tokyo yesterday, sending share prices lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average shed 109.53 points from last week's close to 22,926.28. Trading was thin at 326m shares compared with Friday's 612m. Declines outnumbered advances by 478 to 392, with 165 issues unchanged.

The market got off to a firm start, but the gains petered out as the yen extended its rising streak on the Tokyo foreign exchange market, hitting a new high of Y127.90 to the dollar before closing at Y128. This drove institutional investors as well as businesses and individuals to the sidelines.

In this lacklustre atmosphere, dealers of brokerage houses and speculators sought small- and medium-capitalisation stocks, priced at between Y500 and Y1,000, with short-term capital gains in view.

Tokyu Construction, a consumer stock little affected by exchange rate movements, topped the active list with 9.86m shares changing hands. The issue advanced Y22 before ending at Y790, unchanged from last Friday.

Nippon Metal Industry and Nippon Stainless Steel, both leading stainless steel makers, were in demand, reflecting the tightness in stainless steel supply worldwide.

Nippon Metal, the second most active stock with 8.17m shares traded, surged Y25 at one stage, but came under profit-taking pressure later to close only Y1 higher at Y701. Nippon Stainless rose Y23 to Y803 and Toyo Tire and Rubber jumped Y43 to Y531.

Some car parts makers were sought, with Koito Manufacturing gaining Y60 to Y1,460 and Stanley Electric Y9 to Y937. Crown soared Y280 to Y2,580 on rumours its shares were being hunted by speculators.

On the other hand, large-capital stocks and high-technology issues fared poorly. Nippon Steel fell Y5 to Y413 and Hitachi Y10 to Y1,140.

Japan Air Lines (Jal) shed Y1,300 to Y13,900. Jal will be completely privatised tomorrow with the public offering of 48.1m shares currently held by the Japanese Government, 50 per cent of which will be sold to businesses and the remainder to individuals.

The public offer price for Jal stock was set at Y13,400, 3.5 per cent less than yesterday's closing price.

NTT shares fell Y50,000 to Y2.33m compared with the offer price of Y2.55m in last month's public sale.

Bond prices eased in thin trading on selling by dealers adjusting their positions.

Investors became increasingly wary with the yen's surge against the dollar, but this was apparently more because of the possible adverse impact on the Japanese economy than the effect on the bond market itself.

In inter-dealer trading, the yield on the benchmark 5.0 per cent government bond, maturing in December 1997, opened at 4.700 per cent and later continued its upswing to reach 4.805 per cent.

A wait-and-see mood dominated the Osaka Securities Exchange and helped push stock prices slightly lower.

The 250-issue OSE stock average ended 45.87 points lower at 23,262.99, on an estimated volume of 45m shares, a decrease of 51m shares from Friday.

Omron Tateisi Electronics lost Y50 to Y1,680, depressed by the strong yen. Saki Chemical Industry dropped Y90 to Y2,630.

SOUTH KOREAN share prices slipped back as selling was triggered by anxiety over the forthcoming presidential election and also the market's continued lethargy. The composite stock index fell 9.24 to 465.36 after having dipped by 0.33 on Saturday's session.

The market has found little sustained support from a Government move last week to set up a fund to help securities companies buy stock.

Transport, wholesale and financial issues led yesterday's fallers.

Among leading changes, Daishin Securities fell Won 1,300 to Won 31,900 and Dongsuh lost Won 1,000 to Won 36,500.

Australia

SURGING gold issues carried an otherwise lacklustre Sydney share market marginally higher overall as the bullion price approached $500. The All Ordinaries index edged 2.4 higher to 1,221.6.

Golds made ground in the face of intermittent profit-taking, with Sons of Gwalia up A$1.20 at A$10.70 and Metana 70 cents higher at A$11. The sector index closed 34.9 up at 2,155.5.

The industrials indicator, by contrast, drifted 9.9 lower to 1,856.0. Leading fallers included Boral, down 8 cents to AA3.12, Elders IXL, off 13 cents at A$2.75, and News Corp. 10 cents lower at A$9.30.

North Broken Hill fell 2 cents to A$2.78. After the close the group announced a cash and share offer for Peko Wallsend.

Turnover was boosted by heavy trade in second string issues. More than 10.68m shares in Hastings Deering were changed hands as the stock closed steady at 95 cents.

Singapore

LATE bargain-hunting and a smattering of short-covering extended a bright opening in Singapore to lead prices into solid gains. The Straits Times industrial index rose 17.01.

Of the leading blue chips, Fraser and Neave posted a 15 cent rise to S$7. It announced a 14.5 per cent rise in profits for the year ended September 30.

Elsewhere, DBS made up 10 cents to S$8.05, Cold Storage was 12 cents higher at S$3.14 and Inchcape added 12 cents to S$2.90.

Singapore Airlines rose 25 cents to S$8.35 and Singapore Press 35 cents to S$6.50.

Hong Kong

A SHARPLY higher opening was maintained in Hong Kong in the face of the US dollar's fall to leave share prices substantially firmer.

The Hang Seng index ended 51.04 up at 2,040.62, but turnover of just HK$517m – the thinnest since May 4 – served to exaggerate price movements.

Hongkong Land featured with a 35 cent rise to HK$7.10. Takeover rumours which circulated before the market crash have been rekindled recently, but brokers ascribed the renewed interest in the stock to its low price.

Other properties fared well, with Cheung Kong up 20 cents at HK$5.65 and Sun Hung Kai adding 10 cents to HK$7.80. Hongkong Bank led a firmer sector with a 10 cent gain to HK$6.60.

EUROPE

Poll result pulls Brussels lower in unruffled trading

THE DOLLAR's unremitting slide brought another day of uncertainty and depression to many European bourses yesterday, but a few managed hesitant rallies thanks to bargain-hunting. It was a day of hushed trading almost everywhere.

BRUSSELS finished lower across the board in a fairly muted reaction to the general election gains for the Socialists.

The dollar's weakness was seen as an equally important dampener in a market which had already anticipated losses for the centre-right Government coalition late last week.

The Brussels stock exchange index finished 43.1 down at 3,511.2, another low for the year, after trimming sharper losses earlier in the day. The forward market index was also at a new low of 3,070.8, a fall of 56.5. Volume was fairly thin.

Market leader Petrofina shed BFr160 to BFr8,090, while holdings Reserve and GBL lost BFr60 to BFr2,140 and BFr20 to BFr2,150, respectively.

Chemical Solvay fell BFr150 to BFr9,500, while retailer Delhaize, which has big stakes in US supermarkets, was off BFr70 at BFr2,680.

Banks were lower, but the degree of their losses varied. Banque Bruxelles Lambert edged down BFr10 to BFr2,430 while Kredietbank suffered a BFr130 setback to BFr3,020.

FRANKFURT had one of its quietest sessions of the year, with prices drifting to an easier close after the dollar was fixed at DM1.6236, just above an all-time low of DM1.6230 reached during the morning.

The Commerzbank index at midsession showed a slight gain of 4 to 1,308 but the Boersen-Zeitung 30-share index at the close was off 2.01 at 271.50.

Losses were interspersed with bargain-hunting, however, which helped Metallgesellschaft to a close of DM257, up DM10 on Friday, and lifted insurer Allianz DM15 to DM1,190.

International favourites were generally lower, with Siemens off DM1.50 at DM367.50. Banks saw Deutsche down DM1.30 at DM393.50 and Commerzbank slipping DM2.50 at DM221.

Cars put on a mixed performance as Daimler rolled ahead by DM1 to DM602 while BMW reversed 50 pfg to DM434.

Retailers had an unhappy time amid worries over Christmas revenues. Karstadt lost DM12 to DM455, Kaufhof DM8.20 to DM400 and Horten DM4 to DM168.

Steelmaker Thyssen shaved off DM2.20 to DM104 following news that world group net profit fell in 1987 but the dividend would remain unchanged.

Bonds ended sharply lower in thin trading with few buyers apparent. The Bundesbank bought DM84.2m of paper after buying DM98.2m on Friday.

FRANCE picked up slightly on bargain-hunting and institutional buying in a quiet session. Shaking off the chronic weakness of the dollar, which was fixed at a six-year low against the franc, the CAC General index added 7 to 277.3.

In contrast to West Germany, retailers brightened in Paris, with Galeries Lafayette adding FFr69 to FFr920 and Casino, the supermarket group, up FFr10 to FFr115.

ZURICH was little changed in thin turnover, with many investors already departing from the market for the Christmas period and the feeble dollar playing only a limited role. The Swiss index was 0.1 lower at 748.6.

Banks were easier, with Swiss Bank falling SFr4 to SFr362 and Credit Suisse SFr5 to SFr2,420. Insurers were mixed.

Among the gains were Jacobs Suchard, up SFr125 at SFr8,125, and Nestle, SFr100 higher at SFr7,900.

AMSTERDAM managed a thin rally, but trading here was also as quiet as any seen this year. Like Paris, the Dutch market paid little attention to the dollar and the blue chip internationals mostly showed gains.

MILAN moved lower as investors adjusted positions on the penultimate day of the December trading cycle. Fiat shed L120 to L8,230 and Montedison L27 to L1,385, though both picked up in unofficial trading later.

MADRID went its own way again, climbing on strong demand for industrials and utilities. The general index rose 4.87 to 211.85.

STOCKHOLM had a thin, easier session, with few stocks traded. An exception was Stora, which fell SKr4 to SKr270.

OSLO rose on bargain-hunting despite problems at the Opec talks, and the oil index recouped 7.39 of recent losses to rise to 200.29.

London

BULLISH surveys of the UK economy from stockbroker James Capel and the Confederation of British Industry failed to enliven a cautious equities market. The FT-SE 100 index closed up 1.0 at 1,652.6 after rallying from a 10-point fall.

SOUTH AFRICA

SA up modestly on bullion rise

SELECTIVE profit-taking trimmed gains in Johannesburg gold shares as the market rose in the trail of bullion's advance beyond $500 an ounce.

Trade was cautious with European buyers providing strongest impetus. A slight rise in the financial rand also curbed buying enthusiasm.

Driefontein and Harties stock drew most interest, rising R2 to R43 and R1.50 to R31.75 in turn. Bellwether Vaal Reefs firmed R15 to R360 and Freegold added R1.50 to R43.

St Helena was R1.50 stronger at R37.50 and Kloof put on R1.75 to R43.25. Randfontein was steady at R297.

Diamond and platinum shares followed the upswing, with De Beers rising R1 to R29.50 and Rustenburg 75 cents to R30.25.

Industrials, though, showed less strength as market leader rose a modest 50 cents to R21. Amic was R3 easier at R44.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 14 1987					FRIDAY DECEMBER 11 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (88)	94.24	+0.8	76.08	87.10	4.69	93.52	75.44	87.18	180.81	85.36	98.23
Austria (16)	93.09	+0.4	75.15	79.00	2.65	92.71	74.78	78.74	102.87	85.53	93.96
Belgium (48)	95.83	−0.7	77.36	80.83	5.83	96.56	77.88	81.91	134.89	94.63	95.42
Canada (127)	109.65	+2.4	88.52	103.82	3.00	107.09	86.39	101.28	141.78	98.15	99.71
Denmark (38)	113.66	+0.8	91.76	97.08	3.04	112.74	90.94	96.41	124.83	98.18	96.91
France (121)	83.04	+1.9	67.04	72.04	3.69	81.52	65.76	70.75	121.82	77.39	102.17
West Germany (93)	75.26	+0.4	60.76	63.82	2.98	74.99	60.49	63.61	104.93	68.91	95.00
Hong Kong (46)	78.81	+1.9	63.62	78.41	6.30	77.34	62.39	76.96	158.68	73.92	95.31
Ireland (14)	97.87	+2.5	79.01	84.50	5.35	95.52	77.05	82.68	160.22	93.50	97.23
Italy (94)	75.50	−0.9	60.95	67.80	2.82	76.19	61.46	68.45	112.11	72.04	89.44
Japan (457)	143.87	−0.3	116.15	116.36	0.60	144.26	116.36	117.13	161.28	100.00	97.51
Malaysia (36)	100.18	+2.1	80.88	95.69	3.77	98.10	79.13	93.70	193.64	93.76	97.84
Mexico (14)	114.58	+0.0	92.50	281.88	1.07	114.60	92.44	280.05	422.59	99.72	101.85
Netherland (37)	93.71	+0.8	75.65	78.49	5.73	93.00	75.02	77.89	131.41	87.70	97.55
New Zealand (20)	76.35	+0.3	61.63	62.67	5.33	76.10	61.38	63.04	138.99	75.09	96.13
Norway (24)	100.56	+2.8	81.18	86.84	3.14	97.86	78.93	84.58	185.01	95.51	100.11
Singapore (26)	86.72	+2.9	70.01	80.05	3.00	84.31	68.01	78.19	174.28	81.21	99.38
South Africa (61)	144.26	+2.4	116.46	94.15	4.53	140.88	113.63	92.63	198.09	100.00	101.77
Spain (43)	122.27	+1.0	98.71	102.45	4.04	121.00	97.60	101.07	168.81	100.00	95.70
Sweden (34)	93.63	−0.3	75.58	82.12	2.78	93.86	75.71	82.50	136.64	88.50	96.44
Switzerland (53)	78.89	+0.5	63.69	64.93	2.55	78.49	63.31	64.74	111.11	73.65	94.57
United Kingdom (332)	124.14	+0.0	100.22	100.22	4.64	124.10	100.11	100.11	162.87	99.65	94.89
USA (582)	98.46	+2.9	79.48	98.46	3.74	95.69	77.19	95.69	137.42	91.21	102.86
Europe (947)	99.00	+0.3	79.92	82.49	4.09	98.72	79.63	82.25	130.02	92.25	95.31
Pacific Basin (673)	139.51	−0.2	112.62	113.87	0.81	139.78	112.75	114.55	158.77	100.00	97.48
Euro-Pacific (1620)	123.33	+0.0	99.57	101.34	1.87	123.39	99.53	101.66	143.65	100.00	96.61
North America (709)	99.06	+2.9	79.97	98.78	3.70	96.30	77.68	96.03	137.55	91.68	102.69
Europe Ex. UK (615)	83.40	+0.5	67.33	71.36	3.58	82.98	66.93	71.04	111.97	78.89	95.57
Pacific Ex. Japan (216)	86.72	+1.2	70.01	81.32	5.13	85.67	69.10	80.78	164.03	82.92	97.08
World Ex. US (1822)	123.08	+0.1	99.36	101.49	1.94	123.00	99.22	101.69	143.38	100.00	96.78
World Ex. UK (2072)	112.52	+1.1	90.83	100.53	2.31	111.30	89.78	99.64	138.82	100.00	99.56
World Ex. So. Af. (2343)	113.34	+1.0	91.50	100.49	2.52	112.25	90.54	99.68	139.47	100.00	99.13
World Ex. Japan (1947)	99.02	+1.9	79.94	92.42	3.89	97.19	78.40	90.73	134.22	92.98	99.93
The World Index (2404)	113.54	+1.0	91.66	100.47	2.54	112.43	90.69	99.66	139.73	100.00	99.15

Base values: Dec 31, 1986 = 100